



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 11

4th March 2020

Investment Performance to 31st December 2019

Purpose of Report:

To advise the Committee of the investment performance of the Strathclyde Pension Fund during Quarter 4 2019 and the longer-term performance record as at 31st December 2019.

Recommendations:

The Committee is asked **TO NOTE** the contents of the report.

Ward No(s):

Citywide:

Local member(s) advised: Yes No consulted: Yes No

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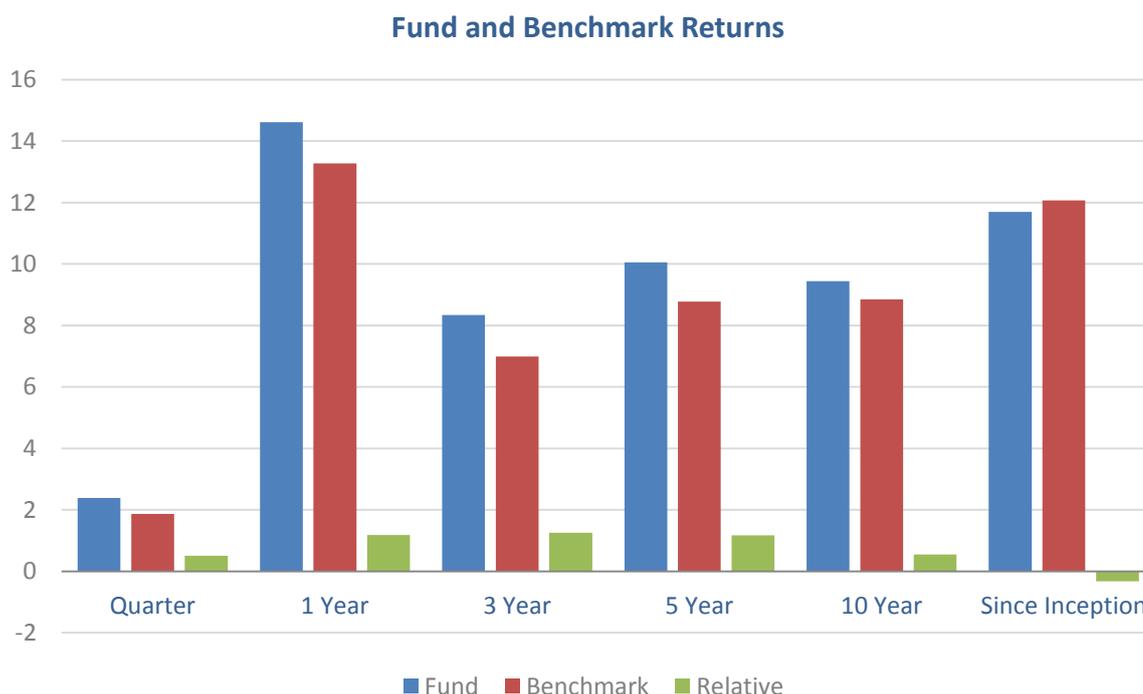
1 Background

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The Fund's current investment objectives and strategy are detailed in **Schedule 1**. The strategy is reflected in the Fund's strategic benchmark and individual portfolio benchmarks. Investment performance is measured by the Fund's global custodian, Northern Trust.

2 Fund Performance

2.1 Total Fund Performance

The Fund's total return for the quarter was **+2.4%**, **+0.5%** ahead of the benchmark return of **+1.9%**.



The Fund's value at 31st December 2019 was **£23,704m**. (Fund value at 30th September was **£23,183m**).

2.2 Market Performance

Equity markets rose steadily into the close of the year with many, including the US and several European countries, reaching all-time highs. The FTSE All Share and FTSE World indices returned **+4.2%** and **+1.5%** respectively over the quarter, while emerging markets returned **+4.1%** in sterling terms. Government bond markets lost ground as investors favoured risk based assets, with the yield on US 10 year bonds rising from **+1.7%** to **+1.9%**. Global high yield and emerging market corporate bonds outperformed relative to investment grade credit. Sterling rose against both the US dollar and Euro, while the UK commercial real estate market performed positively (**+0.3%**).

Detailed Fund and market performance information is provided in **Schedule 2**.

2.3 Investment Manager Performance

Each of the Fund's investment managers has an individual portfolio benchmark. In quarter 4:

- 16 managers outperformed their benchmark; and
- 4 managers underperformed.

Over 5 years:

- the **Legal and General, Baillie Gifford, Genesis, Lazard, Lombard Odier, Veritas, JP Morgan, Pantheon, Partners Group (Private Equity and Global Real Estate)** and **DTZ** portfolios have outperformed their benchmarks; and
- **Despite outperformance in Q4 2019, the Oldfield and PIMCO** portfolios remain behind benchmark.

A detailed breakdown of manager performance is provided in **Schedule 3**.

3 Allocation

3.1 Asset Allocation

The Fund's asset allocation can be summarised as follows.

Asset Class	30 Sep 2019 (£m)	30 Sep 2019 (%)	31 Dec 2019 (£m)	31 Dec 2019 (%)	Target (%)
Equity	13,773	59.4	14,010	59.1	52.5
Hedging & insurance	354	1.5	321	1.4	1.5
Credit	1,335	5.8	1,332	5.6	6.0
Short term enhanced yield	3,824	16.5	3,837	16.2	20.0
Long Term enhanced yield	3,695	15.9	3,812	16.1	20.0
Cash	202	0.9	393	1.7	
Total	23,183	100.0	23,705	100.0	100.0

The change in allocation between asset classes during Quarter 4 is largely a result of relative market movements, manager performance and, in respect of Short and Long term enhanced yield, net drawdowns to private market programmes. In addition

- Within **Equity**, 0.5% of Fund was divested from each of Lazard and Veritas, whose portfolios were over their target allocations as a result of strong performance. The proceeds of these sales are being held in cash in order to fund future drawdowns to new private debt mandates with Alcentra, Barings, Partners Group and ICG Longbow.
- Within **Short term enhanced yield** the Fund completed the first of a series of drawdowns to its new private real estate debt mandate with ICG Longbow.

3.2 Portfolio Allocation

A summary of allocations to investment manager portfolios at the quarter end is provided in **Schedule 4**.

3.3 Direct Investment Portfolio

A detailed breakdown of the Fund’s Direct Investment Portfolio (DIP) is provided in **Schedule 5**.

4 No.3 Fund

A ministerial direction for the merger of the Strathclyde No. 3 Fund into the Aberdeen City Council Transport Fund, which is administered by the North East of Scotland Pension Fund (NESPF), was issued on 1st July 2019.

Phased transition will be complete by 31st March 2020.

A summary of the investment structure and performance of the No.3 Fund as at 31st December 2019 is provided in **Schedule 6**.

5 Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	None
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Council Strategic Plan: Strathclyde Pension Fund aligns with the theme of a well governed city.

Equality and Socio Economic Impacts:

Does the proposal support the Council’s Equality Outcomes 2017-21 Equalities issues are addressed in the Fund’s Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund’s Communications Policy which has been the subject of an Equalities Impact Assessment.

What are the potential equality impacts as a result of this report? No specific equalities impacts.

Please highlight if the policy/proposal will help address socio economic disadvantage. ESG (Environmental Social and Governance), and local impacts are addressed in the Fund’s Responsible Investment strategy.

Sustainability Impacts:

Environmental: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Social, including opportunities under Article 20 of the European Public Procurement Directive: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Economic: ESG (Environmental Social and Governance), and local impacts are addressed in the Fund's Responsible Investment strategy.

Privacy and Data Protection impacts: None.

6 RECOMMENDATIONS

The Committee is asked to note the contents of this report.

Appendices

Schedule 1 Investment Objectives and Strategy

Schedule 2 Fund and Market Performance

Schedule 3 Manager Performance

Schedule 4 Manager Structure and Current Allocations

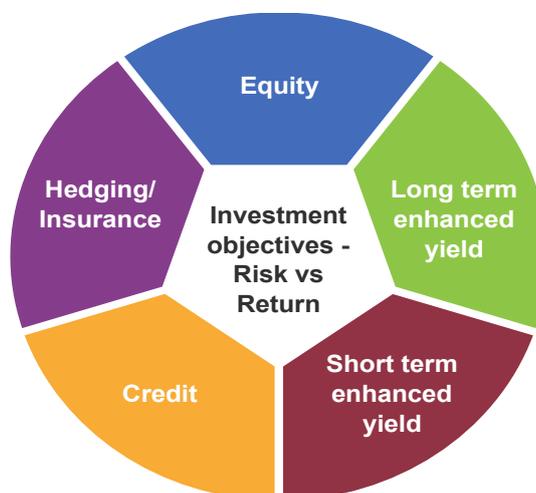
Schedule 5 Direct Investment Portfolio

Schedule 6 No.3 Fund

Investment Objectives and Strategy

- The Fund’s investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The current objectives of the investment strategy should be to achieve:
 - a greater than 2/3 probability of being 100% funded over the average future working lifetime of the active membership (14 years at the 2017 actuarial valuation); and
 - a less than 10% probability of falling below 70% funded over the next three years.

- The Fund’s investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund’s key investment principles, is agreed by the Committee and reviewed regularly. In 2015, the Committee agreed that the Fund should adopt the risk-return framework illustrated below.



- Target allocations to each of the 5 asset categories are outlined below. The Fund fully implemented Step 1 during 2016-2018. Step 2 forms the current strategic benchmark for the Fund. It is anticipated that this will be fully implemented over the next 2 years. Steps 3 and 4 are for future consideration.

Asset	Step 1 %	Step 2 %	Step 3 %	Step 4 %
Equity	62.5	52.5	42.5	32.5
Hedging & insurance	1.5	1.5	1.5	1.5
Credit	6.0	6.0	6.0	6.0
Short term enhanced yield	15.0	20.0	25.0	30.0
Long term enhanced yield	15.0	20.0	25.0	30.0
	100	100	100	100
Return (% p.a.)	6.0	5.9	5.8	5.5
Volatility (% p.a.)	12	11	10	9

Fund and Market Performance

1 Fund Performance

1.1 Returns to 31 December 2019

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.) ⁽¹⁾
Fund Return	2.4	14.6	8.3	10.1	9.4	11.4
Benchmark Return	1.9	13.3	7.0	8.8	8.9	11.7
Relative Return	0.5	1.2	1.3	1.2	0.5	(0.3)
PIRC Local Authority Universe ⁽²⁾	0.5	13.2	7.3	8.9	8.8	

(1) Inception: 31/12/1975

(2) The PIRC Local Authority Universe currently comprises 64 LGPS funds, inc SPF, with a total value of £193bn.

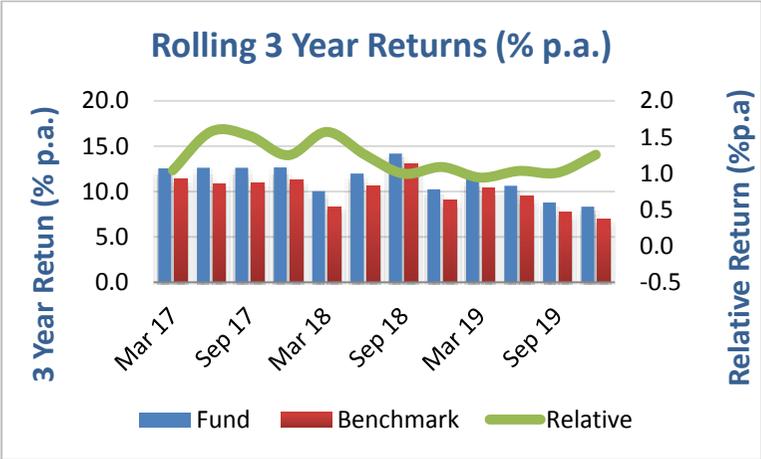
1.2 Returns by Asset Class

Asset	Latest Quarter			1 Year			Since Inception		
	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %	Fund %	Benchmark %	Relative %
Equity	3.5	3.4	0.1	21.2	21.1	0.1	10.6	9.0	1.5
Hedging & insurance	(9.4)	(9.4)	(0.0)	6.8	6.8	0.1	3.0	2.9	0.0
Credit	(0.2)	(0.2)	0.1	12.5	12.3	0.2	4.7	4.6	0.1
Short term enhanced yield	2.1	1.2	0.9	6.3	4.5	1.7	2.8	3.5	(0.6)
Long term enhanced yield	0.5	(0.0)	0.5	2.9	3.2	(0.3)	6.9	6.0	0.8

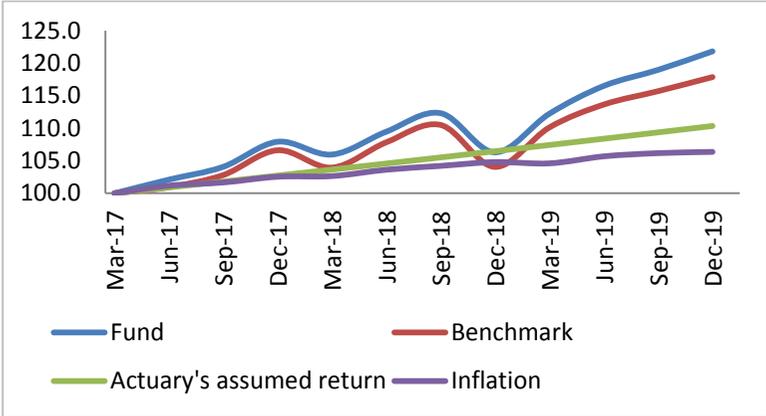
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Fund and Market Performance

1.3 Rolling 3 Year Returns



1.4 Performance v Actuarial Assumption



1.5 Market Performance Summary



Equity Markets rose steadily into the close of the year, with the US and many European markets hitting all-time highs. Investor confidence improved as anxiety over possible recession abated in the US, European economies appeared to stabilise and the rate of growth in China stopped slowing.

Bonds Government bond markets lost ground in the final quarter as investors favoured risk based assets, reflecting growing optimism in the US-China trade talks and that US-led global interest rate cuts should help support economic activity.

Property Commentary Challenging conditions in the retail market continued to dampen commercial property returns in Q4. Capital declines were offset by stable income returns, however, and overall performance was positive.

Manager Performance

1 Performance to 31 December 2019

Equity						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford	Actual	5.0	28.7	12.3	13.4	9.4
	Relative	3.6	9.6	4.1	3.5	1.8
Lazard	Actual	0.2	25.8	12.7	12.3	9.7
	Relative	-1.1	3.4	2.5	0.3	1.0
Oldfield	Actual	3.9	13.2	6.2	11.5	11.2
	Relative	2.9	-7.7	-3.4	-0.8	-2.3
Veritas	Actual	2.0	24.5	13.3	14.2	14.7
	Relative	0.7	2.3	3.2	1.9	1.5
Lombard Odier	Actual	16.2	26.5	11.9	9.0	7.0
	Relative	4.0	6.4	5.0	0.8	2.0
JP Morgan	Actual	4.4	26.0	14.3	16.7	12.4
	Relative	0.8	6.4	5.7	3.6	2.1
Genesis	Actual	4.1	25.3	11.4	10.2	10.4
	Relative	0.4	10.4	2.0	0.4	-
Pantheon	Actual	-5.9	4.0	12.2	14.9	13.5
	Relative	-9.7	-12.8	5.0	6.8	4.1
Partners Group	Actual	-1.5	7.1	12.0	15.7	11.0
	Relative	-5.4	-10.2	4.8	7.6	4.5
L&G EM ⁽¹⁾	Actual	29.5	40.7	16.8	8.0	5.9
L&G Equity ⁽²⁾	Actual	6.7	24.9	10.0	10.4	10.0
	Relative	0.0	0.0	0.5	-	-
L&G RAFI	Actual	3.1	18.4	7.1	10.8	10.3
	Relative	-0.1	-0.2	-0.2	-0.2	-0.2
Total	Actual	3.5	21.2	10.6	-	10.6
	Relative	0.1	0.1	1.5	-	1.5

Notes:

(1) L&G EM: Legal and General hold an Emerging Markets Future for the Fund.

(2) Prior to Q1 2017, L&G market cap equity held in account with bond holdings, so separate equity and bond performance not available.

Hedging & Insurance						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Legal & General	Actual	-9.4	6.8	3.0	6.6	7.7
	Relative	-0.0	0.1	0.0	0.0	0.0

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Manager Performance

Credit						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Legal & General	Actual	-0.2	12.5	4.7	4.6	6.1
	Relative	0.1	0.2	0.1	0.3	0.1

Short term enhanced yield						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
PIMCO	Actual	3.3	6.5	2.4	1.6	2.5
	Relative	2.3	2.1	-1.6	-1.4	0.6
Barings (multi-asset)	Actual	2.1	8.2	4.2	-	4.1
	Relative	0.9	3.0	-0.6	-	-0.6
Oakhill Advisors	Actual	2.3	8.9	3.5	-	3.8
	Relative	1.1	3.7	-1.2	-	-0.9
Ruffer	Actual	1.0	-	-	-	6.4
	Relative	0.0	-	-	-	2.8
Barings (private debt)	Actual	1.5	4.3	5.2	-	5.0
	Relative	0.3	-0.7	0.4	-	0.3
Alcentra	Actual	4.4	9.0	7.3	-	7.6
	Relative	3.2	3.8	2.5	-	2.8
Ashmore	Actual	2.6	8.6	-	-	2.2
	Relative	-0.0	-1.2	-	-	-0.6
ICG Longbow	Actual	-	-	-	-	-3.3
	Relative	-	-	-	-	-3.8
Total	Actual	2.1	6.3	2.8	-	2.8
	Relative	0.9	1.7	-0.6	-	-0.6

Long term enhanced yield						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
DTZ	Actual	0.6	2.9	7.0	8.2	8.05
	Relative	0.3	0.8	0.4	0.6	-0.4
Partners Group RE ⁽²⁾	Actual	-3.0	1.8	6.1	11.2	8.3
	Relative	1.5	-1.6	-0.5	3.7	-0.0
JP Morgan IIF	Actual	3.4	5.4	-	-	5.3
	Relative	1.4	-2.4	-	-	-
Total	Actual	0.5	2.9	6.9	-	6.9
	Relative	0.5	-0.3	0.8	-	0.8

(1) Partners Group RE = Partners Group Real Estate

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Manager Performance

Direct Investment Portfolio						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Direct Investment Portfolio	Actual	0.6	2.9	7.0	7.5	8.1
	Relative	-0.5	-1.8	4.9	5.9	6.7

2 Quarterly Performance Commentary

Manager	Relative Performance (%)	Commentary
Baillie Gifford	+3.6	Stock selection was the main driver of strong performance in Quarter 4 2019. On a relative basis, Ryanair, TSMC, Atlas Copco, ASOS and Kingspan were the strongest contributors, whilst holdings in Constellation Software, Deutsche Boerse, Heinekin, MercadoLibre and Tencent detracted the most.
Lazard	-1.1	The Lazard portfolio rose sharply in value, although in sterling terms the return was muted due to the strong rally in sterling towards the end of the quarter. Five themes produced positive returns, while five themes produced negative returns in GBP terms. Empowered Consumer, Software as a Standard and Digital Runway performed best. Ignoring the Short term, Distribution Footprints, and Data, Networks and Profits were the portfolio's weaker performing themes.
Oldfield	+2.9	The largest positive contributors to performance during the fourth quarter in order of impact on the portfolio were Lloyds Bank, Nomura, Siemens, BT Group and Samsung Electronics. Negative contributors included MHI, ENI, Viacom, CBS, General Motors and Japan Post Holdings.
Veritas	+0.7	The main contributors to performance were rising returns from Charter Communications and Facebook, and improved performance from US Health Insurers, United Health and Cigna. Detractors included the portfolio's large cash weighting, and holdings in Unilever, Nestle, Safran and Baxter International.
Lombard Odier	+4.0	The portfolio benefitted from a move towards selective domestic exposure in 2019. During Q4, Eland Oil was the largest contributor to relative outperformance as the company was bought by Seplat petroleum. Other notable contributors included Silence Therapeutics, Caretech Holdings and Ceres Power Holdings.
JP Morgan	+0.8	All regions aside from Japan outperformed in the quarter, with Japan performing in line with benchmark, and the UK region the strongest performer. Stock selection was the key contributor to overall portfolio performance, with positions in Europe (Games Workshop, Computacenter and Future) and the US (Intercept Pharmaceuticals and Horizon Therapeutics) contributing the most.

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Manager Performance

Genesis	+0.4	Four of the five main contributors to portfolio performance came from Asia: 58.com, Alibaba, TMSC and Samsung Electronics. Detractors included the Vietnamese company Vinamilk, Mobile World, and Chinese pharmaceutical companies 3SBio and CSPC. In sector terms there were substantial gains in communication services and also financials, but these were offset by losses in the consumer and IT sectors.
Pantheon	-9.7	Returns from the Pantheon programme since inception are +0.4% above its target return of the FTSE All Share +5% per annum. During the quarter, distributions outpaced drawdowns, with £45m distributed back to SPF and £39m drawn down to fund new investment.
Partners Group	-5.4	17 out of 28 Partners Group private equity programmes were positively revalued in the quarter. The investment multiple remained strongly positive but was static over the quarter as the dilutive effects of capital deployment offset the gains on existing investments., The largest positive driver of performance was Action, a leading European non-food discount retailer. Other significant drivers included Permotio International Learning and Kindercare Education.

Short Term Enhanced Yield		
Manager	Relative Performance (%)	Commentary
PIMCO	+2.3	<i>Positions in Mortgage Backed Securities, Corporate Credit and Emerging Markets contributed most to absolute performance over 2019. Other assets classes contributed positively but to a lesser extent, and included Rates, FX, and Commodities.</i>
Barings (multi-credit)	+0.9	Single-B rated credits were the largest contributor to performance in Q4, followed by double-B and triple-C rated holdings. Almost all industry sectors positively contributed, with Financials and Healthcare leading. The Fund's top performing holding was Boparan, a leading UK provider of poultry based products, while the largest detractor was Intelsat, the largest global provider of fixed satellite services.
Oakhill	+1.1	All industries contributed positively to performance over the quarter, except Consumer Products and Cargo Transport where contributions were flat. Top industry performers included Services, High Tech and Structured Finance. Top performing holdings were Brand Energy & Infrastructure, Numericable Group and Misys.
Alcentra	+3.2	Alcentra's European Direct Lending Fund II is now fully invested and performance remains on target. Performance of Fund III has been solid to date; the fund now has 41 positions, with positions in two new portfolio companies added during Q3 2019. The largest exposures are across Business Services, Healthcare & Pharmaceuticals, and High Tech Industries. While there has been a slowdown within the French market, there has been steady deal flow across other jurisdictions.

Manager Performance

Barings (private debt)	+0.3	Performance of the Global Private Loan Funds 1, 2 and 3 remains on track to be within the target range. Fund 1 and 2 are 92% committed, with only follow on investments expected going forward. Fund 2 is still in the investment period and invested \$37.7m in 8 existing issuers in the quarter. Fund 3 held its final close in quarter 4 and remains in the build-up phase. Investment in 13 new issuers brought the total in the portfolio to 32.
Ashmore	-0.0	On a country basis, the largest contributors to the portfolio's relative performance were Ukraine, China and South Korea, whereas the largest detractors were Venezuela, Lebanon and Jamaica. On an investment theme basis, local currency contributed positively, while external and corporate debt, and cash, detracted from return.
Ruffer	+0.0	The portfolio returned a positive 1% in Q4 2019. UK Equity and US Healthcare stocks contributed strongly to return, while rising gilt yields hit the value of the portfolio's UK Index linked holdings.
ICG Longbow	n/a	The Fund finalised its commitments to the ICG Longbow Senior Debt I and UK Real Estate funds during Q4 2019 and has met drawdowns of £13m and £35m to each respectively.

Long Term Enhanced Yield		
Manager	Relative Performance (%)	Commentary
DTZ	+0.6	Relative performance in Q4 and over the calendar year was strongest in the underperforming retail sector due to the Fund's strong London weighting. The Fund completed on its commitment to the Co-Living Fund, with £21m drawn to fund the purchase of a development in Harrow. The Fund also purchased an industrial until in Oxford and a central London hotel during the quarter.
Partners Group	+1.5	All 11 Partners Group real estate programmes were positively revalued over the quarter. Overall the investment multiple increased slightly and the largest value drivers of the portfolio were Terra Firma Special Opportunities Funds I and II, and the Texan office park, Riata Corporate.
JP Morgan IIF	+1.4	Fund asset performance in Q3 2019 was +3.3% in local currency terms. \$1.7 billion was deployed to further diversify over geography and sector including investment in Beacon Rail Leasing (European, Transport), Koole Terminals (European, GDP-Sensitive), Sonnedix Power Holdings (Global, Solar), SouthWest Water Company (US, Waste and Water) and Ventient Energy (UK, On-Shore Wind).

Manager Structure and Current Allocations

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	6,395	27.0%	321	1.4%	1,332	5.6%					8,048	34.0%	31.5%
Baillie Gifford	1,931	8.1%									1,931	8.1%	7.5%
Lazard	717	3.0%									717	3.0%	2.5%
Oldfield	752	3.2%									752	3.2%	2.5%
Veritas	692	2.9%									692	2.9%	2.5%
Henderson	301	1.3%									301	1.3%	1.0%
JP Morgan	865	3.6%									865	3.6%	3.0%
Genesis	467	2.0%									467	2.0%	1.5%
Pantheon	1,061	4.5%									1,061	4.5%	5.0%
Partners Group	765	3.2%							433	1.8%	1,198	5.1%	6.0%
PIMCO							1,111	4.7%			1,111	4.7%	5.0%
Ruffer							213	0.9%			213	0.9%	1.0%
Barings (multi-credit)							690	2.9%			690	2.9%	2.8%
Oak Hill Advisors							457	1.9%			457	1.9%	1.8%
Barings (private debt)							204	0.9%			204	0.9%	1.3%
Alcentra							228	1.0%			228	1.0%	1.3%
Ashmore							516	2.2%			516	2.2%	2.5%
ICG Longbow							47	0.2%			47	0.2%	1.0%
Unallocated (STEY)							0	0.0%			0	-	1.0%
DTZ									2,198	9.3%	2,198	9.3%	10.0%
DIP	64	0.3%					94	0.4%	654	2.8%	812	3.4%	4.5%
JP Morgan IIF									527	2.2%	527	2.2%	2.5%
Unallocated (LTEY)									0	0.0%	0	-	2.5%
Cash							670	2.8%			670	2.8%	-
Total	14,010	59.1%	321	1.4%	1,332	5.6%	4,230	17.8%	3,812	16.1%	23,705	100.0%	100.0%
Target		52.5%		1.5%		6.0%		20.0%		20.0%		100.0%	

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Direct Investment Portfolio (DIP)

- In December 2009, the Strathclyde Pension Fund Committee agreed to establish a New Opportunities Portfolio (NOP) with a broad remit to invest in assets for which there was an attractive investment case but to which the current structure did not provide access. The NOP was re-branded the Direct Investment Portfolio in 2015.
- The Direct Investment Portfolio has a target allocation of **5%** of total Fund based on NAVs, and a range of **2.5% to 7.5%**. DIP investment proposals are assessed on their own merits within an agreed implementation framework based on SPF's overall risk-return objectives and specific DIP parameters agreed by the Committee after a review in 2018.
- A complete list of current Direct Investment Portfolio commitments and their progress to date is shown below.
- During Quarter 4 2019, **net drawdowns** into DIP amounted to **£19m**. Together with a net increase in the underlying value of DIP investments, these brought the **Net Asset Value** of DIP to **£799m** at the end of the quarter.

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
SEP II	2004	VENTURE CAPITAL	Equity	5	5	0	4	0
SEP III	2006	GROWTH CAPITAL	Equity	5	5	0	18	0
Panoramic Enterprise Capital Fund 1 LP	2010	GROWTH CAPITAL	Equity	3	3	0	4	3
SEP IV LP	2011	GROWTH CAPITAL	Equity	5	5	0	5	4
Epidarex Fund II	2012	VENTURE CAPITAL	Equity	5	5	0	0	5
Albion Community Power Ltd	2014	RENEWABLE ENERGY	Equity	40	20	20	1	24
Panoramic Growth Fund 2 LP	2015	GROWTH CAPITAL	Equity	15	8	7	1	6

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
SEP V LP	2016	GROWTH CAPITAL	Equity	20	11	9	0	10
Maven Regional Buyout Fund	2017	GROWTH CAPITAL	Equity	20	8	12	1	7
Pentech Fund III	2017	VENTURE CAPITAL	Equity	10	3	7	0	2
Epidarex Fund III	2018	VENTURE CAPITAL	Equity	15	1	14	0	1
Equitix Fund VI LP	2019	INFRASTRUCTURE	Equity	50	0	50	0	0
Pensions Infrastructure Limited	2012	INFRASTRUCTURE	LTEY	1	1	0	0	1
Clydebuilt Fund LP	2013	PROPERTY	LTEY	75	75	0	5	80
PPP Equity PIP LP (Dalmore)	2013	INFRASTRUCTURE	LTEY	50	50	0	14	51
Alpha Social Long Income Fund	2014	SUPPORTED LIVING	LTEY	15	15	0	1	17
Iona Environmental Infrastructure LP	2014	RENEWABLE ENERGY	LTEY	10	10	0	0	13
Resonance British Wind Energy Income Ltd	2014	RENEWABLE ENERGY	LTEY	10	10	0	3	9

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Green Investment Group Offshore Wind Fund LP	2015	RENEWABLE ENERGY	LTEY	80	80	0	26	77
NTR Wind I LP (Project Gael)	2015	RENEWABLE ENERGY	LTEY	40	35	4	19	27
Temporis Renewable Energy LP (Offshore Wind)	2015	RENEWABLE ENERGY	LTEY	30	30	0	27	35
Equitix Fund IV LP	2016	INFRASTRUCTURE	LTEY	30	27	3	3	34
PIP Multi-Strategy Infrastructure LP	2016	INFRASTRUCTURE	LTEY	130	126	4	15	115
Dalmore Capital Fund 3 LP	2017	INFRASTRUCTURE	LTEY	50	48	2	2	50
Hermes Infrastructure Fund II	2017	INFRASTRUCTURE	LTEY	50	33	17	3	34
Iona Environmental Infrastructure LP 3	2017	RENEWABLE ENERGY	LTEY	20	11	9	0	10

Direct Investment Portfolio (DIP)

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Temporis Operational Renewable Energy Strategy LP Fund II	2017	RENEWABLE ENERGY	LTEY	30	15	15	2	20
Equitix Fund V LP	2018	INFRASTRUCTURE	LTEY	50	44	6	1	44
Greencoat Solar Fund II	2018	RENEWABLES	LTEY	50	0	50	0	0
Capital Dynamics Clean Energy Infrastructure VIII	2019	RENEWABLES	LTEY	40	10	30	0	10
Places for People Scottish Mid-Market Rental (SMMR) Fund	2019	PROPERTY	LTEY	25	15	10	0	15
Equitix SPF Co-Investment Fund (CIF)	2019 (Legals)	INFRASTRUCTURE	LTEY	50	0	50	0	0
Legal & General UK Build to Rent Fund	2019	PROPERTY	LTEY	75	0	75	0	0
Scottish Loans Fund	2010	CREDIT	STEY	6	6	0	5	2
GAM (formerly Renshaw Bay)	2014	CREDIT	STEY	10	7	3	10	1
Healthcare Royalties Partners III LP	2014	CREDIT	STEY	19	19	0	8	12

Schedule 5

Direct Investment Portfolio (DIP)

Muzinich UK Private Debt Fund	2015	CREDIT	STEY	20	14	6	8	8
Pemberton UK Mid-Market Direct Lending Fund	2017	CREDIT	STEY	40	29	11	3	29
Tosca Debt Capital Fund II LP	2017	CREDIT	STEY	30	21	9	1	23
Beechbrook UK SME Credit II Fund	2018	CREDIT	STEY	30	9	11	1	9

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
GAM REFF II	2018	Credit	STEY	20	9	11	1	9
Total as at 31/12/2019				1,279	820	459	167	799
Total as at 30/09/2019				1,326	801	524	167	774

Strathclyde No.3 Pension Fund

1 No 3 Fund Investment Structure

A ministerial direction for the merger of the Strathclyde No. 3 Fund into the Aberdeen City Council Transport Fund, which is administered by the North East of Scotland Pension Fund (NESPF), was issued on 1st July 2019.

Proceeds from the sale of the No 3 Fund's growth assets (c£30m) were transferred to NESPF in Q3 2019.

At 31st December 2019, the Fund structure was as follows:

Structure	Investment Manager	Portfolio Value (£m)	Portfolio Weight (Actual) (%)	Portfolio Weight (Target) (%)
Matching Portfolio	Legal & General	181		
LDI Bonds		134	73.9	100.0
Cash		47	26.1	
Total		181	100.0	100.0

Remaining bond assets transferred during January 2020.

2 Investment Performance: Returns to 31st December 2019

	Quarter %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.) ⁽¹⁾
Fund Return	(6.5)	6.9	3.3	5.8	8.5	7.9
Benchmark Return	(6.6)	4.8	3.2	5.4	7.6	7.5
Relative Return	0.1	2.0	0.2	0.4	0.8	0.3