

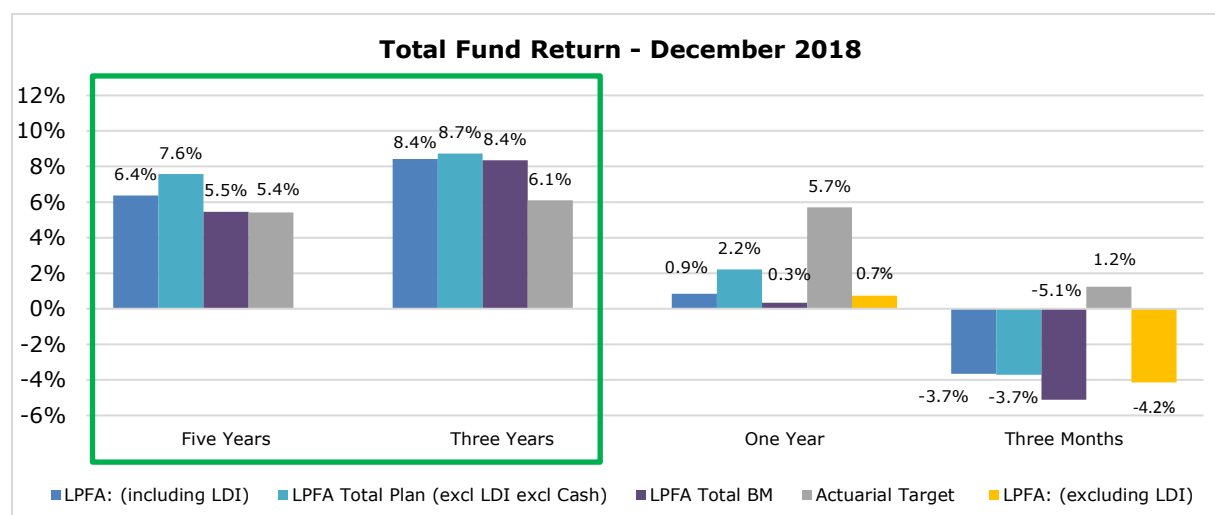
LPFA Investment Performance Report – As at 31st December 2018

Key highlights:

Investment performance:

- Fund performance versus benchmark (BM)

For December 2018 the portfolio finished with a market value of £5.6bn. Over three and five years the Fund continues to exceed the actuarial return target with a relative return of 2.3% and 1% respectively.



Actuarial Target represents UK RPI +3%

- The Fund's Current Asset Allocation versus its Strategic Allocation.

Asset Class	Strategic Asset Allocation (%)	Range	Allocation as at 31st December 2018*
Public Equities	45.0%	35% - 55%	43.7%
Private Equity	7.5%	5% - 15%	10.2%
Fixed Income	2.5%	0% - 15%	4.8%
Infrastructure	10.0%	5% - 15%	6.1%
Credit	9.0%	0% - 12.5%	8.1%
Real Estate	10.0%	5% - 15%	9.5%
Diversifying Strategies	15.0%	0% - 20%	14.5%
Cash	1.0%	0% - 5%	3.1%
Total	100%	-	100%

Funding ratio and deficit:

- The estimated (whole Fund) Triennial funding level decreased over the quarter from 115.1% to 114.8%. Primarily due to negative asset performance, although this was offset by an increase in the assumed Triennial discount rate from 5.9% p.a. to 6.2% p.a. which reduced the present value of the liabilities.
- The main driver for the increase in the Triennial discount rate over the quarter was due to an increase in UK dividend yields.
- The assumption for long term future RPI inflation, based on the 20 year point of the Bank of England implied inflation curve, remained at 3.6% p.a. with the assumption for long term CPI inflation remaining at 2.7% p.a.
- The present value of the liabilities on the gilts flat basis increased over the quarter, decreases in gilts-based inflation expectations were offset by decreases in gilts-based interest rates at all durations along the curve.

