

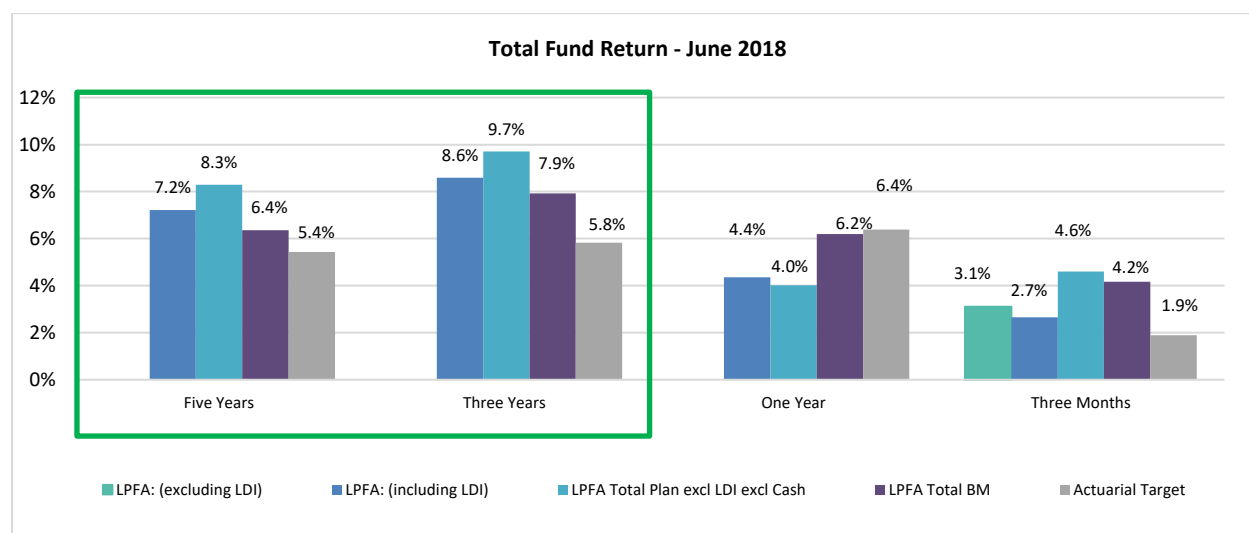
LPFA Investment Performance Report – As at 30th June 2018

Key highlights:

Investment performance:

- Fund performance versus benchmark (BM)

For June 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 – net performance including LDI being 7.2% and 8.6% across five and three years respectively. This compares to a target return of 5.4% and 5.8% for the same time periods. Over the same period the Fund has also outperformed an asset weighted composite benchmark of target returns (shown as “Total BM” in the charts below).



Actuarial Target represents UK CPI +3%

- The Fund’s asset allocation versus its strategic target allocation.

Asset Class	Strategic Asset Allocation (%)	Range	Allocation as at 30th June 2018
Public Equities	45.00%	40% - 60%	48.7%
Private Equity	7.50%	5% - 15%	10.0%
Fixed Income	2.50%	0% - 15%	2.4%
Infrastructure	10.00%	5% - 15%	5.3%
Alternative Credit	9.00%	0% - 10%	4.9%
Real Estate	10.00%	5% - 15%	7.7%
Total return	15.00%	0% - 20%	15.2%
Cash	1.00%	0% - 10%	5.8%
Diversified Growth	-	-	0.0%
Total	100%	-	100%

Funding ratio and deficit:

- At the quarter end the Triennial funding level remained at 111.4%. Although asset performance was positive this was offset by an increase in the estimated present value of the Triennial liabilities.
- The assumed Triennial discount rate decreased from 5.8% p.a. to 5.7% p.a. due mainly to a decrease 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 3.5% p.a. The corresponding assumption for long term CPI inflation remained at 2.6% p.a.

