

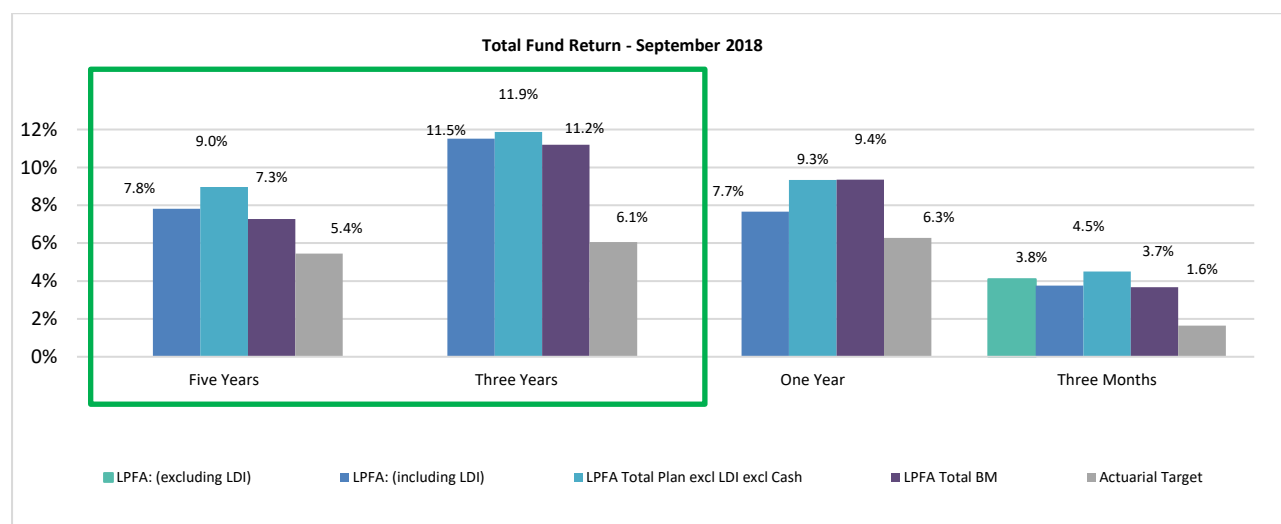
LPFA Investment Performance Report – As at 30th September 2018

Key highlights:

Investment performance:

- Fund performance versus benchmark (BM)

For September 2018 the portfolio finished with a market value of £5.8bn. Over three and five years the Fund continues to exceed the actuarial return target – net performance (including LDI) being 7.8% and 11.5% across five and three years respectively. This compares to a target return of 5.4% and 6.1% 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 Current Asset Allocation versus its Strategic Allocation.

Asset Class	Strategic Asset Allocation (%)	Range	Allocation as at 30 th September 2018*
Public Equities	45.0%	35% - 55%	48.4%
Private Equity	7.5%	5% - 15%	9.3%
Fixed Income	2.5%	0% - 15%	3.8%
Infrastructure	10.0%	5% - 15%	5.3%
Alternative Credit	9.0%	0% - 12.5%	7.8%
Real Estate	10.0%	5% - 15%	8.7%
Total return	15.0%	0% - 20%	14.4%
Cash	1.0%	0% - 5%	2.4%
Diversified Growth	-	-	0.0%
Total	100%	-	100%

Funding ratio and deficit:

- The estimated (whole Fund) Triennial funding level increased over the quarter from 111.4% to 115.1%. Primarily due to positive asset performance and an increase in the assumed Triennial discount rate from 5.7% p.a. to 5.9% p.a. which reduced the present value of the liabilities.
- The assumption for long term future RPI inflation, based on the 20 year point of the Bank of England implied inflation curve, increased from 3.5% p.a. to 3.6% p.a. This resulted in an increase in the assumption for long term CPI inflation from 2.6% to 2.7% p.a. This increase in inflation was also the main driver for the increase in the Triennial discount rate over the quarter.
- The present value of the liabilities on the gilts flat basis decreased over the quarter, increases in gilts-based inflation expectations were offset by increases in gilts-based interest rates at nearly all durations along the curve.

