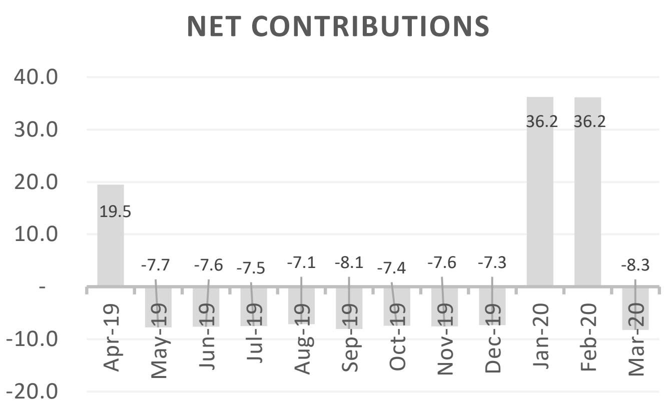
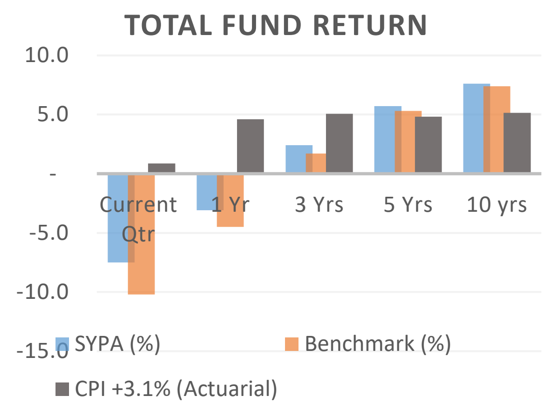
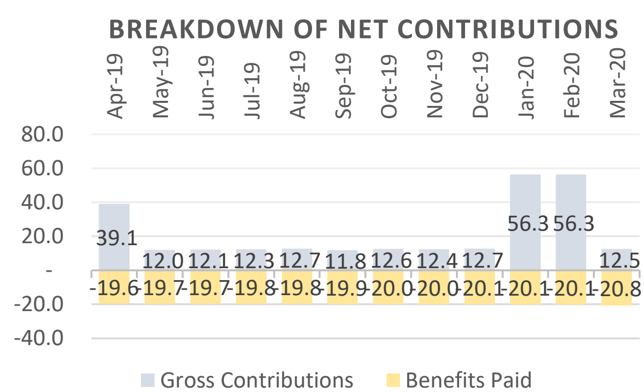
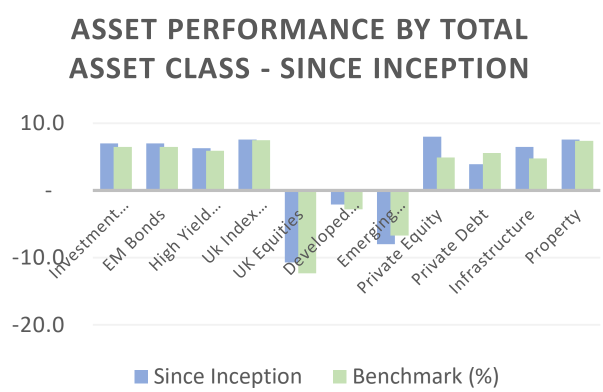
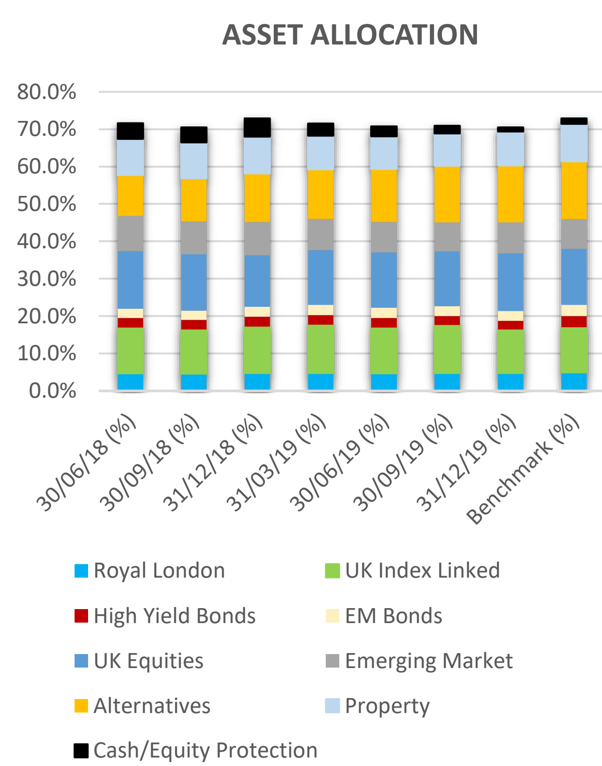
QUARTERLY REPORT TO 31 MARCH 2020

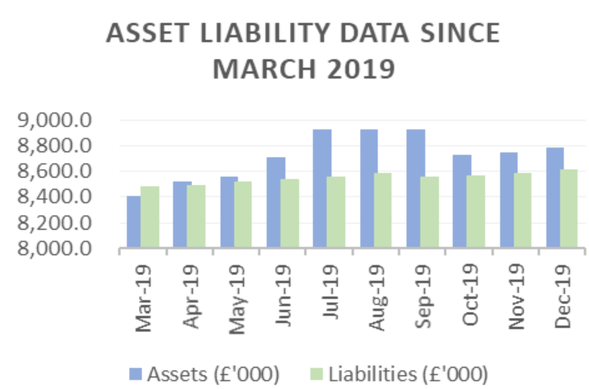

NET CONTRIBUTIONS
40.0
30.0
20.0
10.0
-
-10.0
-20.0
19.5
-7.7
-7.6
-7.5
-7.1
-8.1
-7.4
-7.6
-7.3
36.2
36.2
-8.3
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20

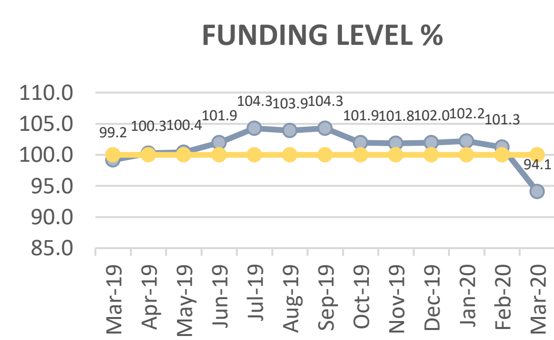

TOTAL FUND RETURN
10.0
5.0
-
-5.0
-10.0
-15.0
Current Qtr
1 Yr
3 Yrs
5 Yrs
10 yrs
SYPA (%)
Benchmark (%)
CPI +3.1% (Actuarial)


BREAKDOWN OF NET CONTRIBUTIONS
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20
80.0
60.0
40.0
20.0
-
-20.0
-40.0
39.1
12.0
12.1
12.3
12.7
11.8
12.6
12.4
12.7
56.3
56.3
12.5
-19.6
-19.7
-19.7
-19.8
-19.8
-19.9
-20.0
-20.0
-20.1
-20.1
-20.1
-20.8
Gross Contributions
Benefits Paid


ASSET PERFORMANCE BY TOTAL ASSET CLASS - SINCE INCEPTION
10.0
-
-10.0
-20.0
Investment...
EM Bonds
High Yield...
Uk Index...
UK Equities
Developed...
Emerging...
Private Equity
Private Debt
Infrastructure
Property
Since Inception
Benchmark (%)


ASSET ALLOCATION
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
30/06/18 (%)
30/09/18 (%)
31/12/18 (%)
31/03/19 (%)
30/06/19 (%)
30/09/19 (%)
31/12/19 (%)
Benchmark (%)
Royal London
UK Index Linked
High Yield Bonds
EM Bonds
UK Equities
Emerging Market
Alternatives
Property
Cash/Equity Protection


ASSET LIABILITY DATA SINCE MARCH 2019
9,000.0
8,800.0
8,600.0
8,400.0
8,200.0
8,000.0
Mar-19
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Assets (£'000)
Liabilities (£'000)


FUNDING LEVEL %
110.0
105.0
100.0
95.0
90.0
85.0
99.2
100.3
100.4
101.9
104.3
103.9
104.3
101.9
101.8
102.0
102.2
101.3
94.1
Mar-19
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20

Market background

The first quarter of 2020 has been truly extraordinary dominated by the impact of Covid-19.

Equities suffered steep declines and government bond yields fell ie prices rose on the perception of relative safety as countries went into lockdown to try to contain the outbreak. Corporate bonds underperformed government bonds.

Governments and central banks announced measures to support businesses and households and reduce borrowing costs.

Sterling hit multi-decade lows versus the US dollar. In line with other central banks the Bank of England reduced interest rates, cutting from 0.75% to 0.1%

The oil price plunged as the demand outlook deteriorated and there was a breakdown of an agreement between oil producers to constrain supply.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Fund Valuation

as at 31 March 2020

Fund Valuation as at 31 March 2020

	Dec-19 £m	%	Quarterly Net Investment	Mar-20 £m	%	Benchmark %	Range %
FIXED INTEREST							
Inv Grade Credit	423.8	4.8	22.8	439.6	5.4	5	
UK ILGs	1014.5	11.6	-0.4	1029.9	12.6	12	
High Yield Bonds	205.5	2.4	87.9	264.7	3.2	3	
EM Bonds	230.6	2.6	1.9	195.5	2.4	3	
TOTAL	**1874.4**	**21.4**	**112.2**	**1929.7**	**23.6**	**23**	**18-28**
UK EQUITIES	**1353.6**	**15.4**	**0.0**	**1028.8**	**12.6**	**15**	**10 _ 20**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2506.7	28.6	0.0	2111.6	25.8	27.125	
Developed Market - SYPA	80.1	0.9	-6.6	61.5	0.8		
Emerging Market - BCPP	711.1	8.1	0.0	575.5	7.0	7.875	
Emerging Market - SYPA	15.9	0.2	0.0	13.2	0.1		
TOTAL	**3313.8**	**37.8**	**-6.6**	**2761.8**	**33.7**	**35**	**30-40**
PRIVATE EQUITY							
BCPP	6.8		6.0	13.8			
SYPA	594.6		21.3	631.3			
TOTAL	**601.4**	**6.9**	**27.3**	**645.1**	**7.9**	**7**	**2-12**
PRIVATE DEBT FUNDS	**361.0**	**4.1**	**19.8**	**380.8**	**4.6**	**3.5**	**0-8.5**
INFRASTRUCTURE							
BCPP	4.3		8.2	12.0			
SYPA	368.0		19.1	373.0			
TOTAL	**372.3**	**4.2**	**27.3**	**385.0**	**4.7**	**5**	**0-10**
PROPERTY	**796.4**	**9.1**	**-4.5**	**772.5**	**9.4**	**10**	**7-13**
CASH	**245.1**	**2.8**		**159.9**	**2.0**	**1.5**	**0-10**
EQUITY PROTECTION (EPO)	-149.3	-1.7		125.7	1.5		
TOTAL FUND	**8768.7**	**100.0**		**8189.4**	**100.0**	**100**	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	**975.9**			**1060.4**			

Asset Allocation Summary

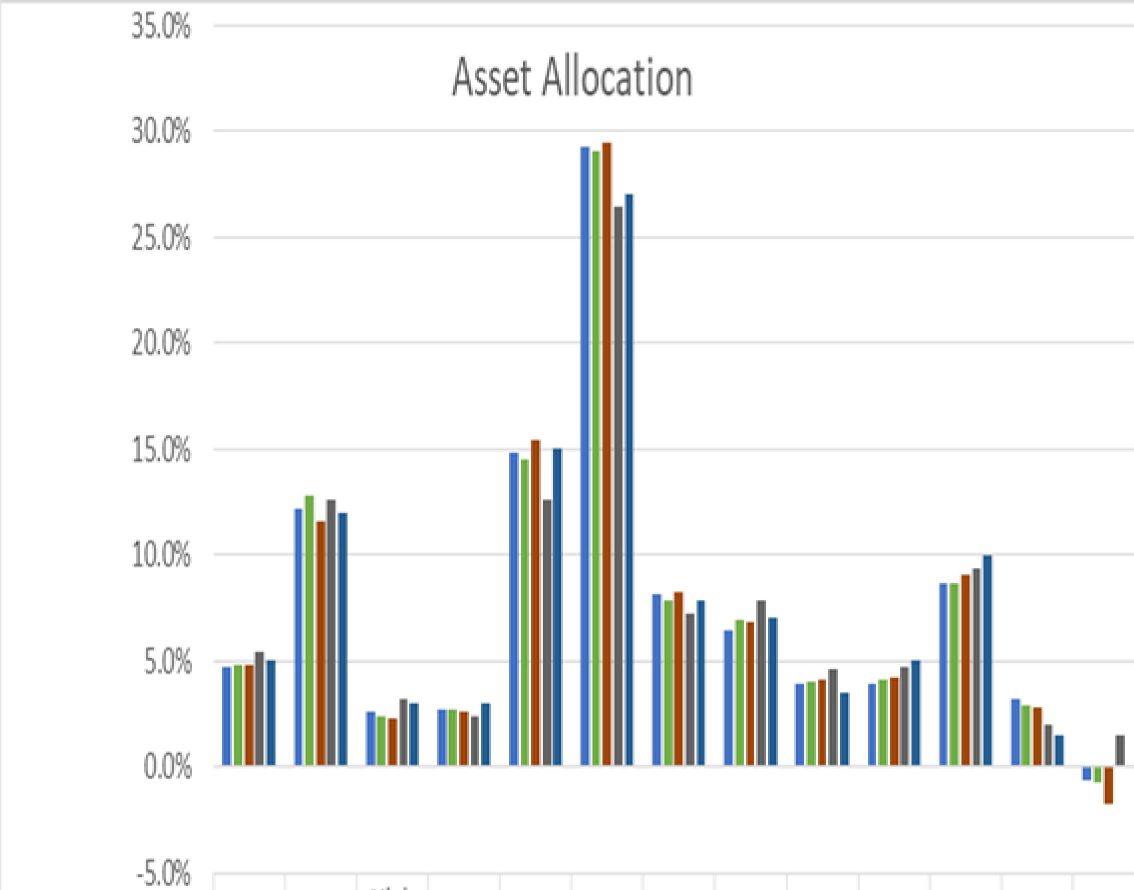
The most significant change this quarter was the transition of the Investment Grade Credit portfolio from Royal London to Border to Coast. £440m of assets was transferred and a further £25m of cash was invested at this stage. The transition period was from the 7th February to 18th March. Performance of the Border to Coast portfolio will be monitored from this date.

Also in February we made a £90m investment into the PIMCO Diversified Bond fund. .

£6.6m was raised from the residual overseas portfolios and £74m was drawn down to the alternative funds

The change in weightings over the last few quarters can be seen in the next chart. The Fund has been very close to its benchmark weightings for most asset classes over this period although it can be seen that it has gradually been increasing its weighting to alternatives at the expense of quoted equities.

Asset Allocation Summary



	IG Bonds	Index Linked	High Yield Bonds	EM Bonds	Equity	Dev Mkt	EM Mkt	Priv Equity	Priv Debt	Real Assets	Real Estate	Cash	Equity PC
30/06/19 (%)	4.7%	12.2%	2.6%	2.7%	14.8%	29.3%	8.2%	6.4%	3.9%	3.9%	8.7%	3.2%	-0.6%
30/09/19 (%)	4.8%	12.8%	2.4%	2.7%	14.6%	29.1%	7.8%	7.0%	4.0%	4.1%	8.6%	2.9%	-0.8%
31/12/19 (%)	4.8%	11.6%	2.3%	2.6%	15.5%	29.5%	8.3%	6.9%	4.1%	4.3%	9.1%	2.8%	-1.7%
31/03/20 (%)	5.4%	12.6%	3.2%	2.4%	12.6%	26.5%	7.2%	7.9%	4.6%	4.7%	9.4%	2.0%	1.5%
Benchmark (%)	5.0%	12.0%	3.0%	3.0%	15.0%	27.1%	7.9%	7.0%	3.5%	5.0%	10.0%	1.5%	0.0%

Performance Summary

For the quarter to the end of March, the Fund returned -7.5% against the expected benchmark return of -10.2%% which gives a year to date return of -3.1% against an expected return of -4.5%

Looking at the Fund ex equity protection we showed an underperformance of the benchmark giving a return of -10.4%%. The underperformance was due to stock selection as asset allocation was neutral over the period.

The breakdown of the stock selection is as follows:-

Bonds	-0.4%
Total equities	0.4%
Alternative Assets	-0.1%
Property	-0.1%

Now looking at the equity protection strategy, the nominal value of the portfolio which was protected fell in value over the quarter by 20% and the value of the options increased the value of the fund by £275m. This effectively increased the return to the fund by 3%.

For the financial year the Fund returned -3.1% against the expected benchmark return of -4.5%. Ex the equity protection the Fund achieved a return of -4.6% which was an underperformance of 0.1%. The nominal value of the portfolio that was protected fell in value over the year by 12.9% and the value of the options increased the value of the fund by £131m. The equity protection effectively increased the return to the fund by 1.5%.

The breakdown of stock selection is as follows:-

Total Equities	+0.4%
Total Bonds	-0.3%
Property	-0.1%

The indicative funding level as at 31 March was 93.9%.

The performance of the Fund can be seen in detail in the following slides.

Performance

as at 31 March 2020

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit	3.5	2.5	9.0	7.6
UK ILGs	1.6	1.8	1.8	2.0
High Yield Bonds	-8.6	-3.4	-3.1	1.4
EM Bonds	-14.7	-12.4	-10.6	-7.2
TOTAL	**-2.5**	**-0.7**	**0.0**	**1.9**
UK EQUITIES	**-24.0**	**-25.1**	**-16.5**	**-18.5**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	-15.8	-16.2	-6.2	-7.0
Developed Market - SYPA	-16.0	-16.2	-7.8	-7.0
Emerging Market - BCPP	-19.1	-19.5	-14.1	-14.0
Emerging Market - SYPA	-17.2	-19.5	-32.8	-14.0
TOTAL	**-16.5**	**-16.9**	**-8.3**	**-8.6**
PRIVATE EQUITY	**2.7**	**0.8**	**11.2**	**4.5**
PRIVATE DEBT FUNDS	**0.1**	**0.8**	**2.3**	**4.5**
INFRASTRUCTURE	**-3.5**	**0.8**	**0.2**	**4.5**
PROPERTY	**-1.6**	**-1.5**	**-0.3**	**0.3**
CASH	**0.1**	**0.1**	**0.5**	**0.5**
TOTAL FUND excl EPO	**-10.4**	**-10.2**	**-4.6**	**-4.5**
TOTAL FUND	**-7.5**	**-10.2**	**-3.1**	**-4.5**

Performance attribution

For the quarter, the Fund returned -1.4% which was behind the expected return of the benchmark, with the Fund valuation falling from £8768.7m to £8189.4m.

Bonds
Stock selection was mixed across the portfolios but overall was negative.

UK Equities
Stock selection was ahead of the benchmark.

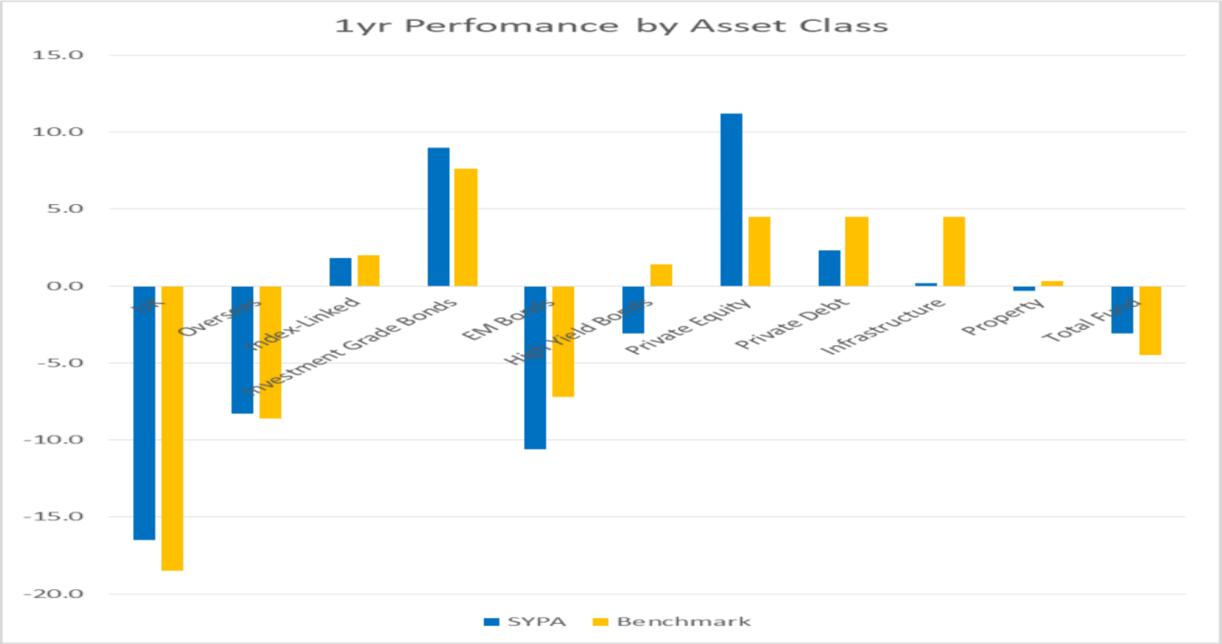
Overseas Equities
Stock selection was ahead of the benchmark. The residual portfolios are being sold down and are not expected to perform in-line with the benchmark.

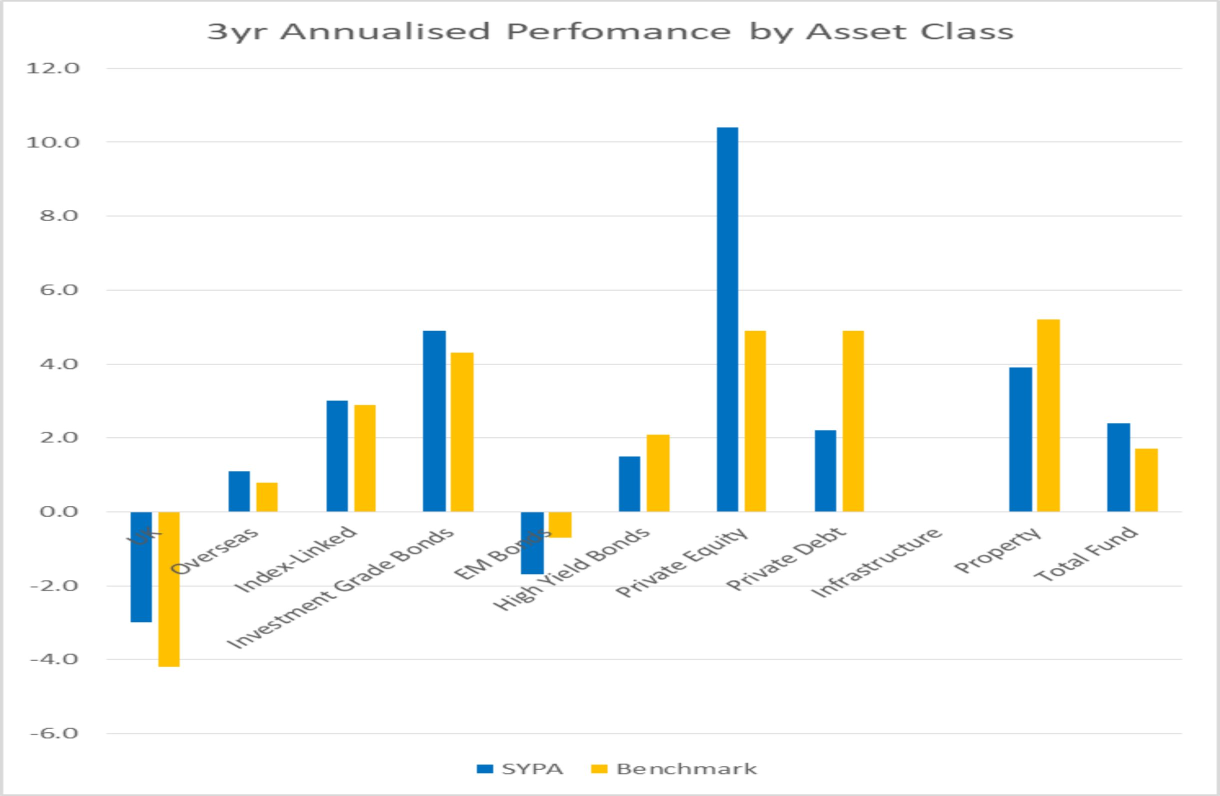
Alternatives
The performance across all the portfolios was behind the benchmark.

Property
Performance was slightly behind with the benchmark.

Equity Protection
With the sharp decline in equity markets the equity protection strategy added value to the Fund.

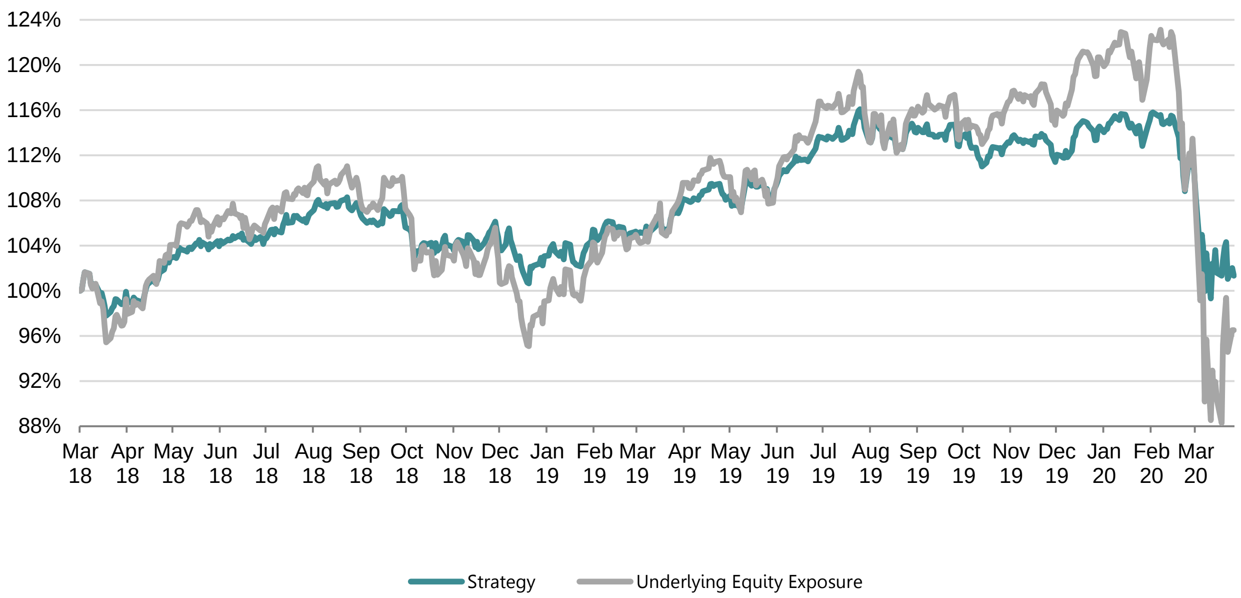
Performance-Medium term





Equity Protection

The equity protection strategy generated a positive return over the quarter given the steep decline in the financial markets. The strategy added to the Fund value by £275m, which increased overall performance by 3%.



The gap in valuation between the equity protection strategy and the underlying equities has varied over the period. When markets rise there has been a negative impact but more recently as markets have fallen sharply we can see that there is now a positive impact for the Fund. At the end of March this positive impact was £125.7m.

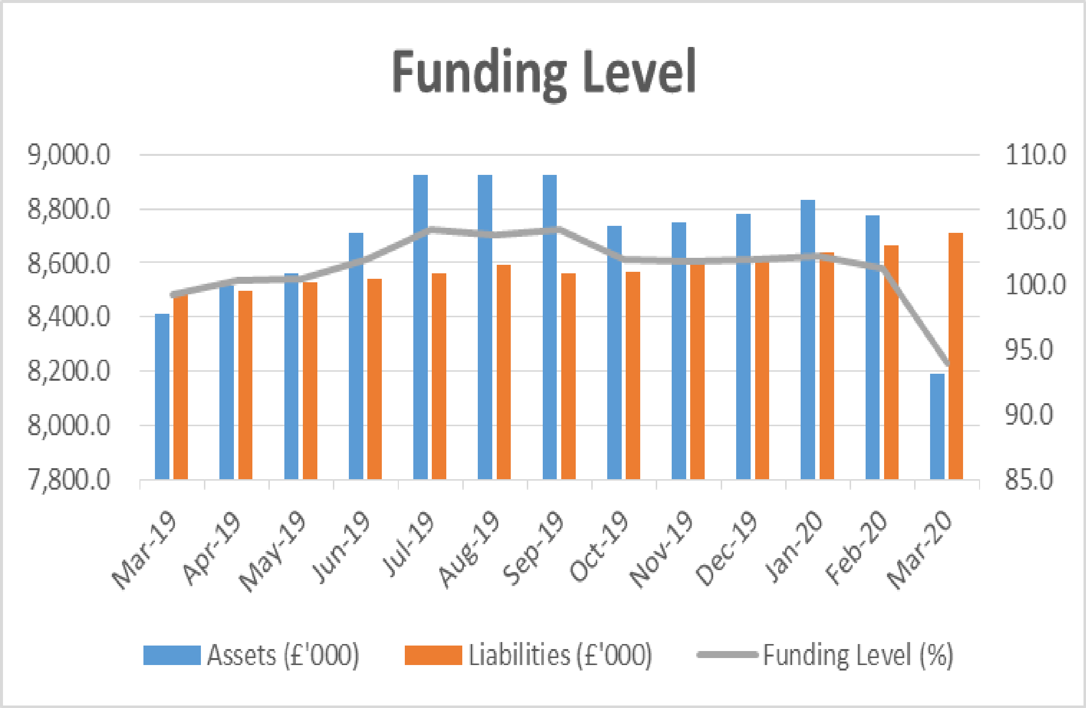
Funding Level

The funding level as at 31 March 2020 has decreased to around 94%.

The breakdown is as follows:

Fund's Assets:
As at 31 March 2020: £8,189.4m
As at 31 Dec 2019: £8,782.3m
A decrease of £592.9m.

Funds Liabilities:
As at 31 Mar 2020: £8,713.3m
As at 31 Dec 2019: £8,613.3m
An increase of £100m.



Outlook

The global market conditions remain very difficult and the outlook remains very unclear. Most if not all countries and regions will see a severe recession. Reaction from central banks has been greater than we have ever seen before and has provided reassurance and has enabled markets to stabilise. From here the future direction depends in the short term to news flow regarding the spread of the virus. If the spread shows signs of plateauing markets could recover further but there could be a second wave of infection and we have yet to see what the longer term implications of this pandemic are in terms of the survival of large numbers of businesses.

It is too soon to make predictions but from a long term point of view it is expected that interest rates will remain very low for a long time and higher risk assets will have a higher risk premia.

UK Equities

Some of the Brexit uncertainty has disappeared given the election results but since then there has been little progress in trade negotiations with the EU amid the Covid-19 crisis. There is expected to be further weakness in the economy given the lockdown situation and the uncertainty regarding how businesses will come through this crisis. Given the reduced allocation within the Fund's new benchmark we will look to reduce the position when market conditions allow

Overseas equities

Equity markets have corrected sharply, and earnings are going to be sharply hit in 2020.
Companies have responded by cutting dividends, cancelling share buybacks, reducing discretionary capital expenditure and drawing down credit lines to protect cashflow and strengthen their balance sheets in an attempt to weather the next few months. Expectations are that earnings will recover strongly in 2021, although this is very much dependent on how quickly economic activity normalises.

Amongst all the bad news, however, there are some positive points. Companies with strong balance sheets and robust business models will survive and perhaps grow stronger, either organically or through acquisition. It is inevitable that some companies will not survive particularly those that are overleveraged, dependent on discretionary spending, and whose business models have not evolved. Other companies will benefit from changes in consumer and business behaviour e.g. healthcare, video conferencing, online services. In addition, equity markets will tend to anticipate an end to the crisis which is likely to be associated with a slowdown in the spread of the virus, particularly in the US which appears to be at an earlier stage.

We expect market conditions to remain volatile and to react to short term news flow on the virus. Will maintain allocation to overseas equities

Outlook

Bonds

It is difficult to make predictions at present but it is expected that interest rates will remain very low for a long time and that higher risk investments will have higher risk premia. The ridiculously low spread levels seen in high yield bond markets in recent years will not return very quickly. Although spreads will not fall back to where they were, it is likely that over time a level will be found where the yield and spread (basically the same now) compensate investors for the risks inherent in these assets. We may be there already but there will be a lot of volatility in the coming months and probably better buying levels will be seen.

At this time there is now a yield and therefore a decent level of income in high yield and emerging market bonds. If you buy now (having satisfied yourself as to the credit quality of the investment), you might not hit the bottom but at least you will get a decent level of income if held to maturity.

Spreads widening have made investment grade credit look more attractive.

Index-linked have performed well but have significantly lagged conventional bonds in the UK. This is partly due to the deflationary impact of the current situation, but is also due to the ongoing RPI/CPI consultation, which could seriously diminish future inflation accruals for holders. Overall we will look to reduce index-linked bonds so that we will be no more than neutral to the new benchmark weighting and will remain slightly underweight the other bond portfolios.

Real Estate

It is expected that capital values will fall this year but there is expected to be significant dispersion across the sectors. While industrials are forecast to see stable capital values, it is likely that retail values will fall further with rents under downward pressure and yields set to move out. Supermarkets are the clear exception to this. The leisure sector also faces a material decline in values and the short term performance of student accommodation is also expected to be weaker.

The inability to inspect buildings and the challenges with co-ordinating professional services and documentation, serve to at best delay deals but more likely deter investors from transacting. The second quarter is likely to feature very few deals indeed, with little confidence in where pricing lies and few sellers under pressure to market stock in such an environment.

Outlook

Real Estate cont.

Holding the most robust and durable income streams may not be a major point of difference this quarter or next; history suggests this divergence emerges as the market approaches its nadir. But we expect significant relative outperformance of such assets to come through later in the year – and for a protracted period if the economic downside materialise – as the degree of income risk at the asset level becomes clearer.

ASI still see the attraction of the build-to-rent sector. Despite the expectation that void rates and tenant defaults may rise in the short term, they hold the view that the longer term fundamentals for the build-to-rent sector remain attractive. Income has historically been more resilient during periods of economic distress, with rents in the UK falling far less than the commercial market.

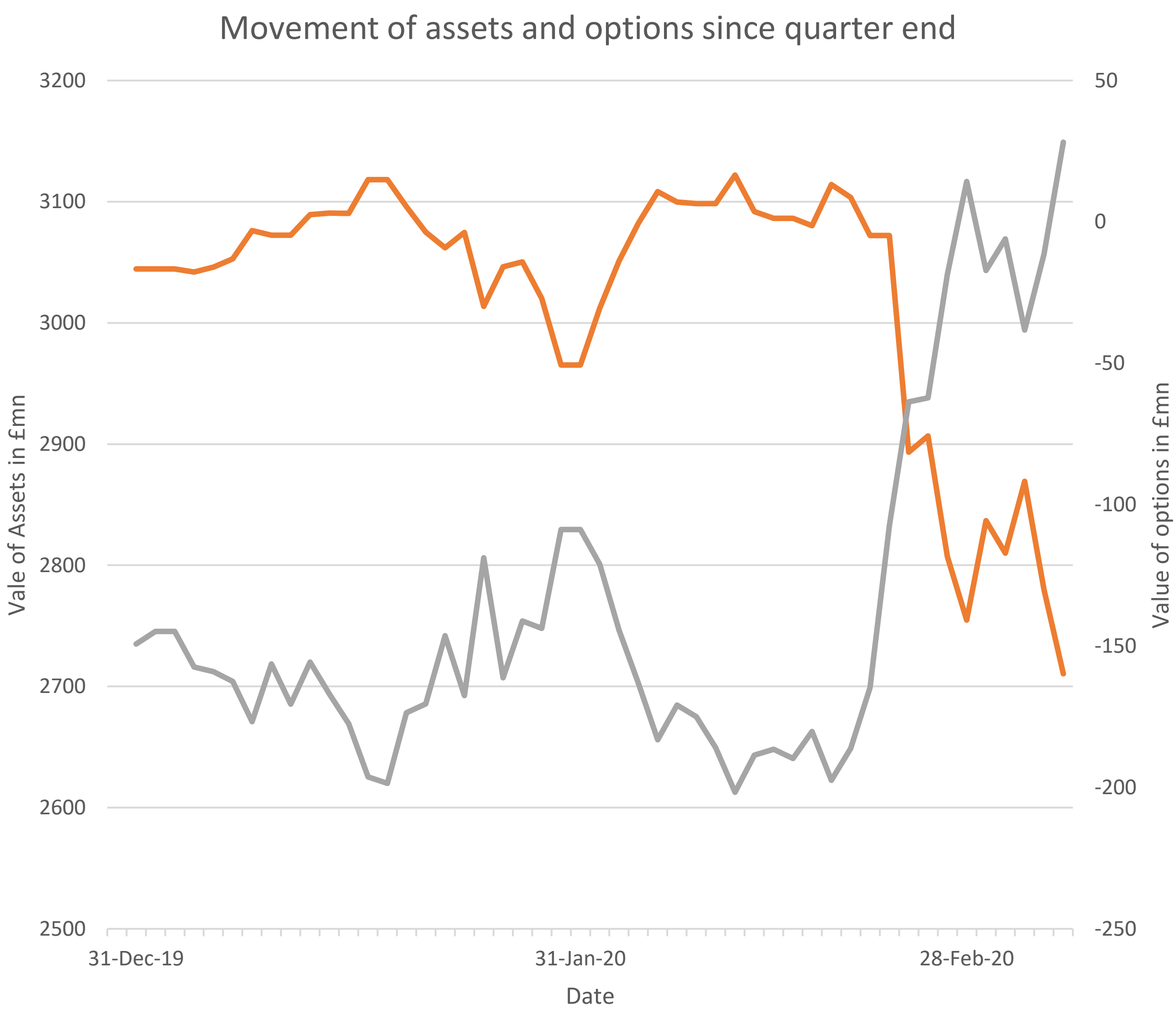
Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, generally generates above market returns and with the new fund benchmark being introduced from the 1st April which increases the allocation to private debt and infrastructure debt we are looking to add further investments into this asset class.

Cash

The deployment of cash to alternatives should see the continued reduction in cash balances.

Equity Protection Update



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