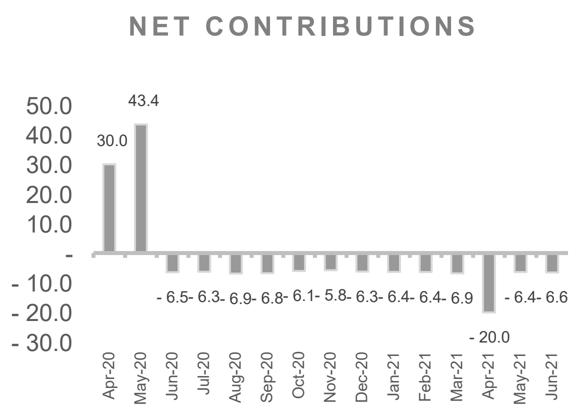
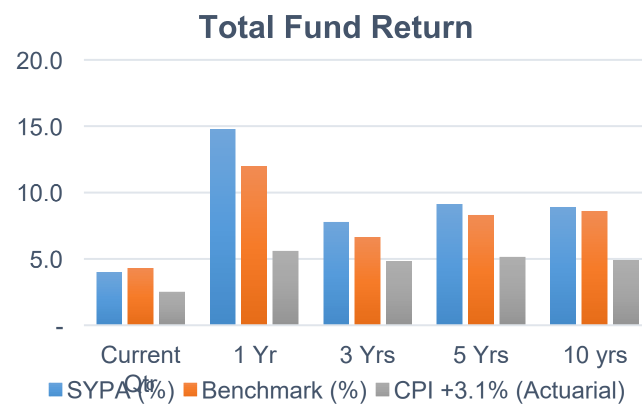
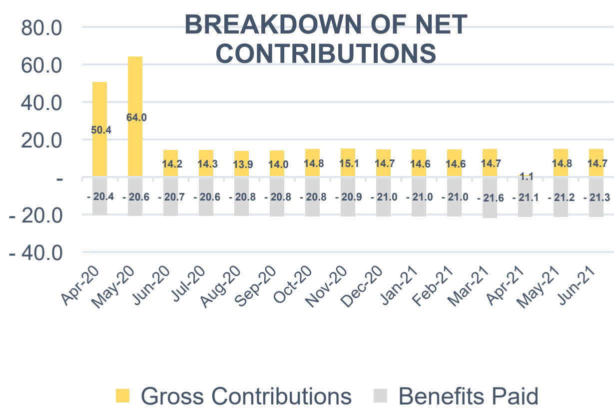
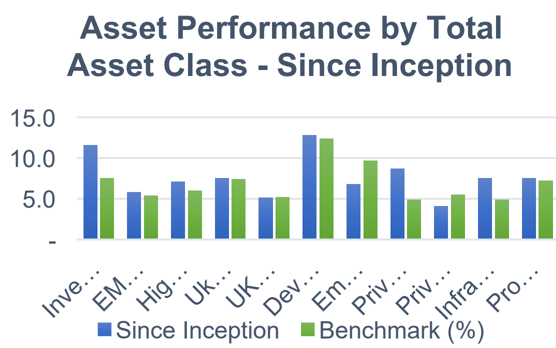
SOUTH YORKSHIRE
PENSIONS AUTHORITY

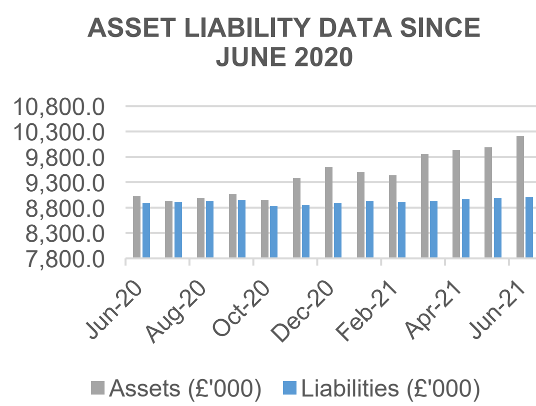
QUARTERLY REPORT
TO 30 JUNE 2021

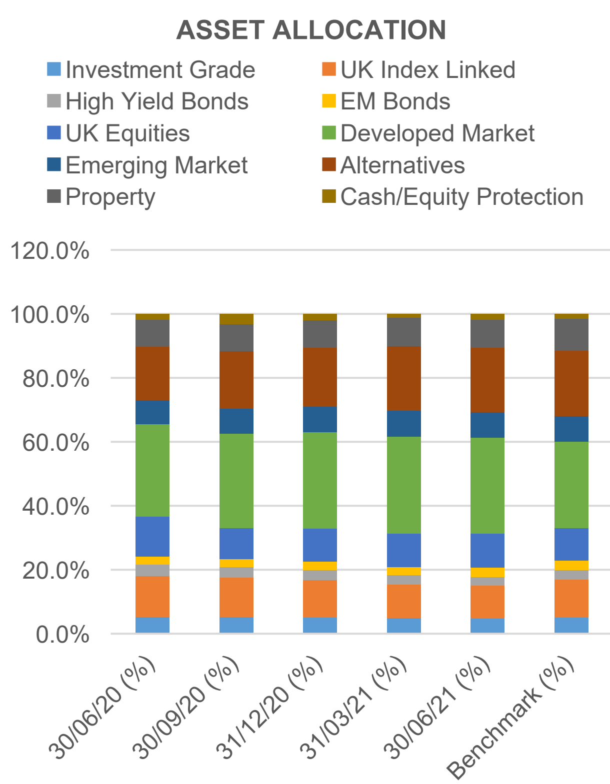

NET CONTRIBUTIONS
50.0
40.0
30.0
20.0
10.0
-
- 10.0
- 20.0
- 30.0
30.0
43.4
- 6.5- 6.3- 6.9- 6.8- 6.1- 5.8- 6.3- 6.4- 6.4- 6.9
- 20.0
- 6.4- 6.6
Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21

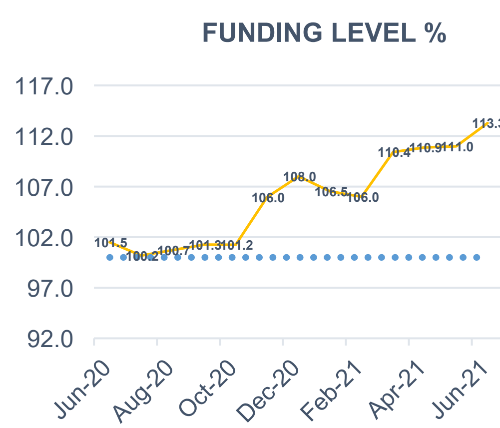

Total Fund Return
20.0
15.0
10.0
5.0
-
Current Qtr
1 Yr
3 Yrs
5 Yrs
10 yrs
SYPA (%)
Benchmark (%)
CPI +3.1% (Actuarial)


BREAKDOWN OF NET CONTRIBUTIONS
80.0
60.0
40.0
20.0
-
- 20.0
- 40.0
50.4 64.0 14.2 14.3 13.9 14.0 14.8 15.1 14.7 14.6 14.6 14.7 1.1 14.8 14.7
- 20.4 - 20.6 - 20.7 - 20.6 - 20.8 - 20.8 - 20.8 - 20.9 - 21.0 - 21.0 - 21.0 - 21.6 - 21.1 - 21.2 - 21.3
Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21
Gross Contributions
Benefits Paid


Asset Performance by Total Asset Class - Since Inception
15.0
10.0
5.0
-
Inve… EM… Hig… Uk… UK… Dev… Em… Priv… Priv… Infra… Pro…
Since Inception
Benchmark (%)


ASSET LIABILITY DATA SINCE JUNE 2020
10,800.0
10,300.0
9,800.0
9,300.0
8,800.0
8,300.0
7,800.0
Jun-20 Aug-20 Oct-20 Dec-20 Feb-21 Apr-21 Jun-21
Assets (£'000)
Liabilities (£'000)


ASSET ALLOCATION
Investment Grade
UK Index Linked
High Yield Bonds
EM Bonds
UK Equities
Developed Market
Emerging Market
Alternatives
Property
Cash/Equity Protection
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
30/06/20 (%)
30/09/20 (%)
31/12/20 (%)
31/03/21 (%)
30/06/21 (%)
Benchmark (%)


FUNDING LEVEL %
117.0
112.0
107.0
102.0
97.0
92.0
101.5 100.2 100.7 101.3 101.2 106.0 108.0 106.5 106.0 110.4 110.9 111.0 113.3
Jun-20 Aug-20 Oct-20 Dec-20 Feb-21 Apr-21 Jun-21

Market background

This quarter saw markets continuing to perform strongly with all asset classes showing positive returns.

The rise in markets was supported by the vaccination roll-out and fiscal stimulus that has meant that many companies and individuals have had limited impact on their finances. The global economy is now showing a broad based economic recovery, stronger than many economists initially forecast.

UK equities performed well but modestly underperformed developed overseas markets. Good progress in the vaccine roll-out helped mitigate the impact of the rapid spread of the Delta Plus variant. Economic data has been positive although the Northern Ireland Protocol continues to be a source of friction with the EU in the aftermath of Brexit.

Global equities gained over 6% with returns from the US being the strongest and Japan lagging, recording a small negative return over the quarter. Developed markets outperformed emerging markets with progress impacted regionally by the uneven roll -out of vaccine programmes globally, along with news of new strains of the virus in certain areas which dampened optimism. US equities were the outperforming area this quarter given the success of their vaccine programme and the strong fiscal stimulus underpinning its rapid rebound. Although this his has resulted in the Federal Reserve acknowledging that interest rate rises may occur earlier than previously thought.

Government bond yields fell over the quarter following a sharp rise in the previous period. Corporate bonds performed well, outpacing government bonds. Investment grade credit was helped by falling yields, while high yield benefited from the economic recovery and positive fundamentals, including low expected default rates. Emerging market bonds also had a strong quarter led by high yield.

Commodity indexes were strong largely as a result of strong growth in energy prices as the global roll-out of the vaccines led to optimism for a global economic recovery in 2021.

Real estate returns were positive with all sectors rising. Industrials were the strongest with offices the weakest. Retail capital values are starting to rise but are driven by retail warehousing and supermarkets. Offices are continuing the downward trend amid low visibility around the impact of Covid-19 on future occupation.

Fund Valuation

as at 30 June 2021

	Mar-21		Quarterly Net	Jun-21		Benchmark	Range
	£m	%	Investment	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	487.3	5.0	0.0	492.0	4.8	5	
UK ILGs - BCPP	837.1	8.5	0.0	877.1	8.6	10	
UK ILGs SYPA	192.8	2.0	-30.1	171.2	1.7		
High Yield Bonds	281.1	2.8	-9.4	278.7	2.7	3	
EM Bonds	258.0	2.6	34.4	302.2	3.0	3	
TOTAL	2056.3	20.9	-5.1	2121.3	20.8	21	16-26
UK EQUITIES	1025.9	10.4	0.0	1079.8	10.6	10	5 _ 15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2935.2	29.8	-100.0	3018.2	29.6	27.125	
Developed Market - SYPA	45.7	0.5	-3.8	44.2	0.4		
Emerging Market - BCPP	787.1	8.0	0.0	811.2	7.9	7.875	
Emerging Market - SYPA	10.2	0.1	0.0	10.5	0.1		
TOTAL	3778.2	38.4	-103.8	3884.1	38.0	35	30-40
PRIVATE EQUITY							
BCPP	51.8		15.9	67.6			
SYPA	828.8		-22.5	807.5			
TOTAL	880.6	8.9	-6.6	875.1	8.6	7	5_9
PRIVATE DEBT FUNDS							
BCPP	6.8		5.3	12.1			
SYPA	481.1		-9.6	472.8			
TOTAL	487.9	5.0	-4.3	484.9	4.8	5.5	4.5-6.5
INFRASTRUCTURE							
BCPP	43.4		3.4	46.8			
SYPA	590.8		24.5	632.3			
TOTAL	634.2	6.4	27.9	679.1	6.7	10	8_12
PROPERTY	861.9	8.8	17.0	898.9	8.8	10	8_12
CASH	116.5	1.2		181.7	1.7	1.5	0-5
TOTAL FUND	9841.5	100.0		10204.9	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1225.4			1255.0			

Asset Allocation Summary

As equity markets continued to improve we took the opportunity to take profit. £3.8m was raised from the legacy holdings and these proceeds were used to fund the drawdowns into the alternative funds.

Also, we withdrew £100m from the Border to Coast overseas developed fund to reduce the overweight position to equities.

Within property we competed on the Rugby Business Park in Oldham for a purchase price of just over £22m. We also completed the sale of the small retail units at Clumber Street, Nottingham and High Street, Stratford which brought in £6.2m of proceeds.

The current Fund allocation can be seen in the chart below and is shown against the strategic target.

There is one category that is outside its tactical range. This is because from the 1st April we have increased the range from 8% to 10% for Infrastructure and reduced the Index-Linked category from 12% to 10% as part of the changes agreed at the last strategic review. This position will hopefully be rectified during this financial year.

The changes in net investment for the categories over the last year are also shown below. It shows that we have been de-risking the Fund in line with the strategic benchmark

Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	**SAA Target**	**Range**	**Current Asset Allocation**		
	%	%	£m	%	OW/UW
Index Linked Gilts	10	8 - 12	1048.3	10.3	**0.3**
Sterling Inv Grade Credit	5	3 - 7	492	4.8	**-0.2**
Other Fixed Income	6	4 - 8	581	5.7	**-0.3**
UK Equities	10	5 - 15	1079.8	10.6	**0.6**
Overseas Equities	35	30 - 40	3884.1	38.1	**3.1**
Private Equity	7	5 - 9	875.1	8.6	**1.6**
Private Debt	5.5	4.5-6.5	484.9	4.8	**-0.7**
Infrastructure	10	8 - 12	679.1	6.7	**-3.3**
Property	10	8 - 12	898.9	8.8	**-1.2**
Cash	1.5	0 - 5	181.7	1.8	**0.3**
Total	100		10204.9	100	

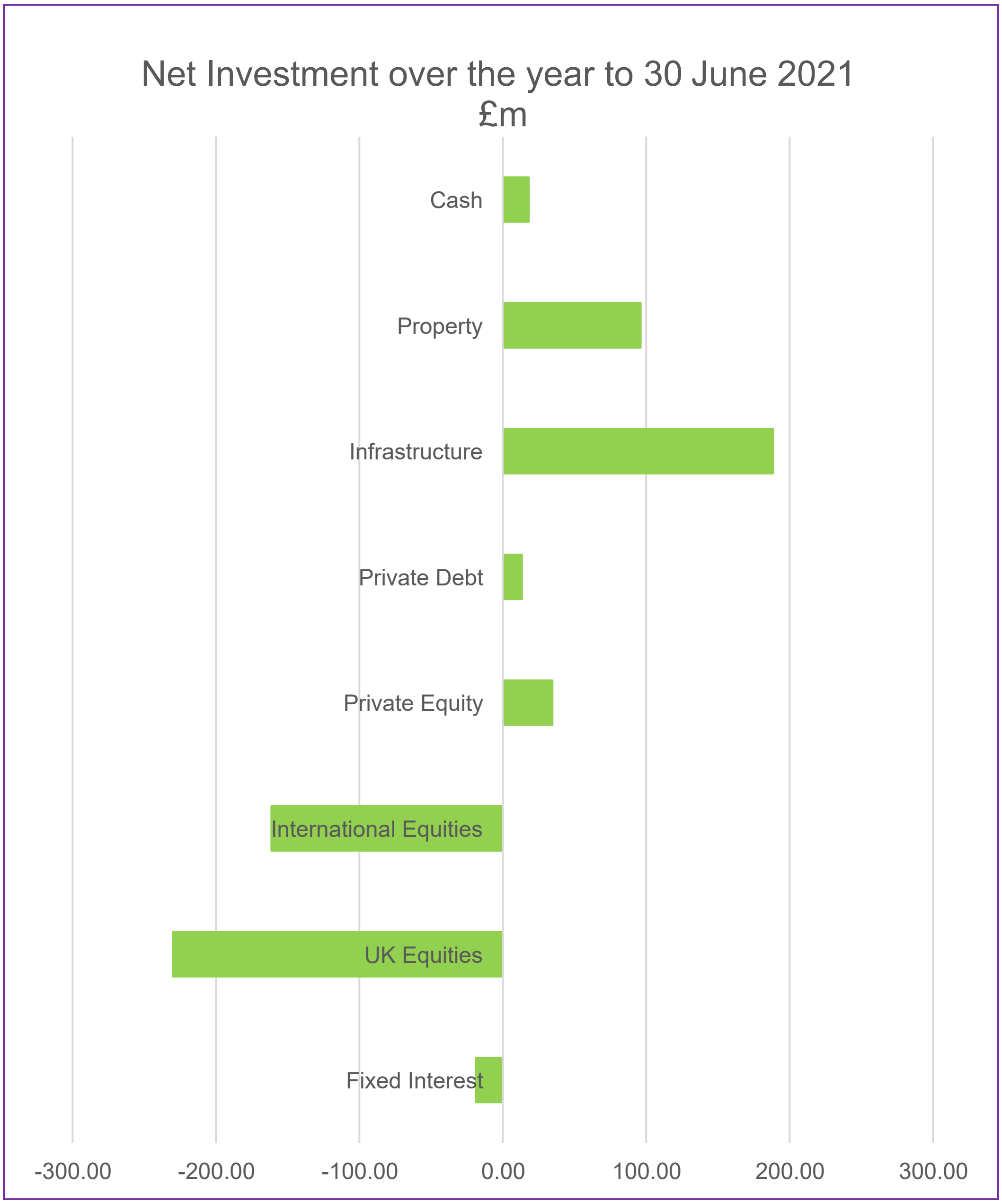
OW/UW 'RAG' ratings

Green ratings indicate that current asset allocation is within agreed tolerances

Amber ratings indicate that current asset allocation is beyond 70% of the difference between the maximum/minimum range and the strategic target allocation

Red ratings indicate that current asset allocation is out of range

Asset Allocation Summary



Performance

as at 30 June 2021

	Qtrly Performance			Financial Y.T.D.	
	SYPA	Benchmark		SYPA	Benchmark
	%	%		%	%
FIXED INTEREST					
Investment Grade Credit - BCPP	2.0	1.7		2.0	1.7
UK ILGs	4.8	4.7		4.8	4.7
High Yield Bonds	3.0	1.7		3.0	1.7
EM Bonds	5.0	3.9		5.0	3.9
TOTAL	3.9	3.1		3.9	3.1
UK EQUITIES	5.2	5.6		5.2	5.6
INTERNATIONAL EQUITIES					
Developed Market - BCPP	6.4	6.8		6.4	6.8
Developed Market - SYPA	5.8	6.8		5.8	6.8
Emerging Market - BCPP	3.1	4.8		3.1	4.8
Emerging Market - SYPA	3.1	5.2		3.1	5.2
TOTAL	5.6	6.4		5.6	6.4
PRIVATE EQUITY	0.1	2.4		0.1	2.4
PRIVATE DEBT FUNDS	0.4	2.4		0.4	2.4
INFRASTRUCTURE	2.9	2.4		2.9	2.4
PROPERTY	3.2	3.3		3.2	3.3
CASH	0.0	0.0		0.0	0.0
TOTAL FUND	4.0	4.3		4.0	4.3

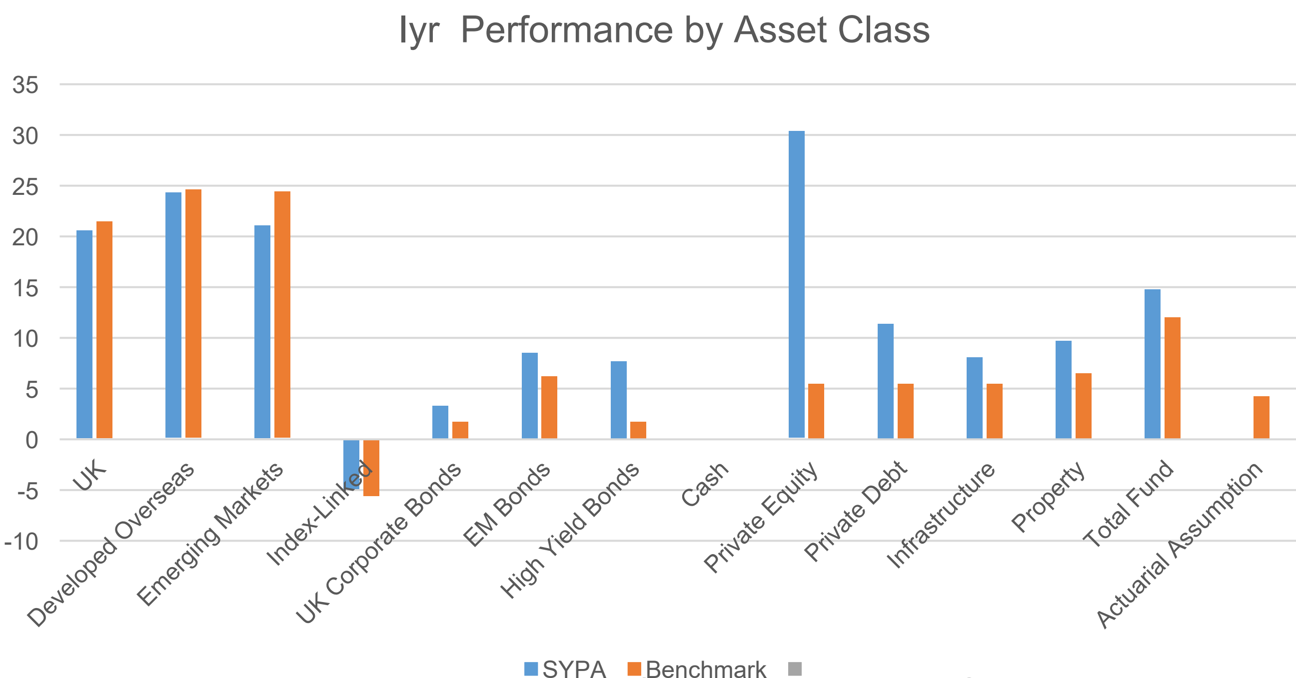
Performance Summary

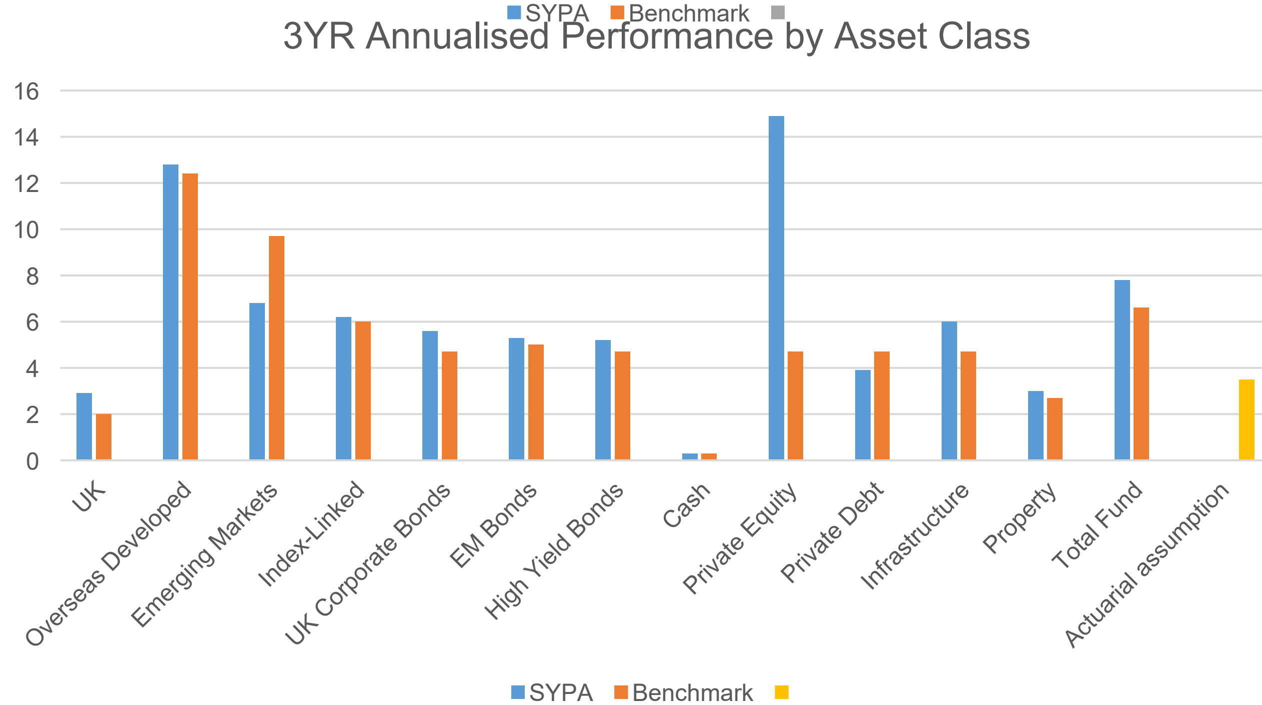
For the quarter to the end of June, the Fund returned 4.0% against the expected benchmark return of 4.3%. Asset allocations together added 0.1% whilst stock selection detracted by 0.4%.

The breakdown of the stock selection is as follows:-

EM equities	**-0.2%**
DM Overseas Equities	**-0.1%**
Total Bonds	**0.1%**
Private Equity funds	**-0.2%**
Private Debt funds	**-0.1%**
Infrastructure funds	**0.1%**

Performance-Medium term





Performance – Border to Coast Funds

This quarter all the equity funds underperformed their respective benchmarks.

The UK portfolio was impacted by stock selection and underweight position in Basic Resources and stock selection in Financial Services. Also being overweight Large-Caps which have been impacted by sterling strength and an underweight to Mid-Caps which have benefitted from a broad economic re-opening was detrimental.

The under-performance of the Overseas Developed Markets fund was mainly due to weaker stock selection in Asia ex-Japan and Europe particularly within Industrials and IT,

The Emerging Markets portfolio was restructured during April and now consists of three sleeves. An internally managed sleeve focusing on Emerging Markets excluding China and two China-focused sleeves managed externally by specialists in the Chinese Market, - Fountain Cap and UBS.

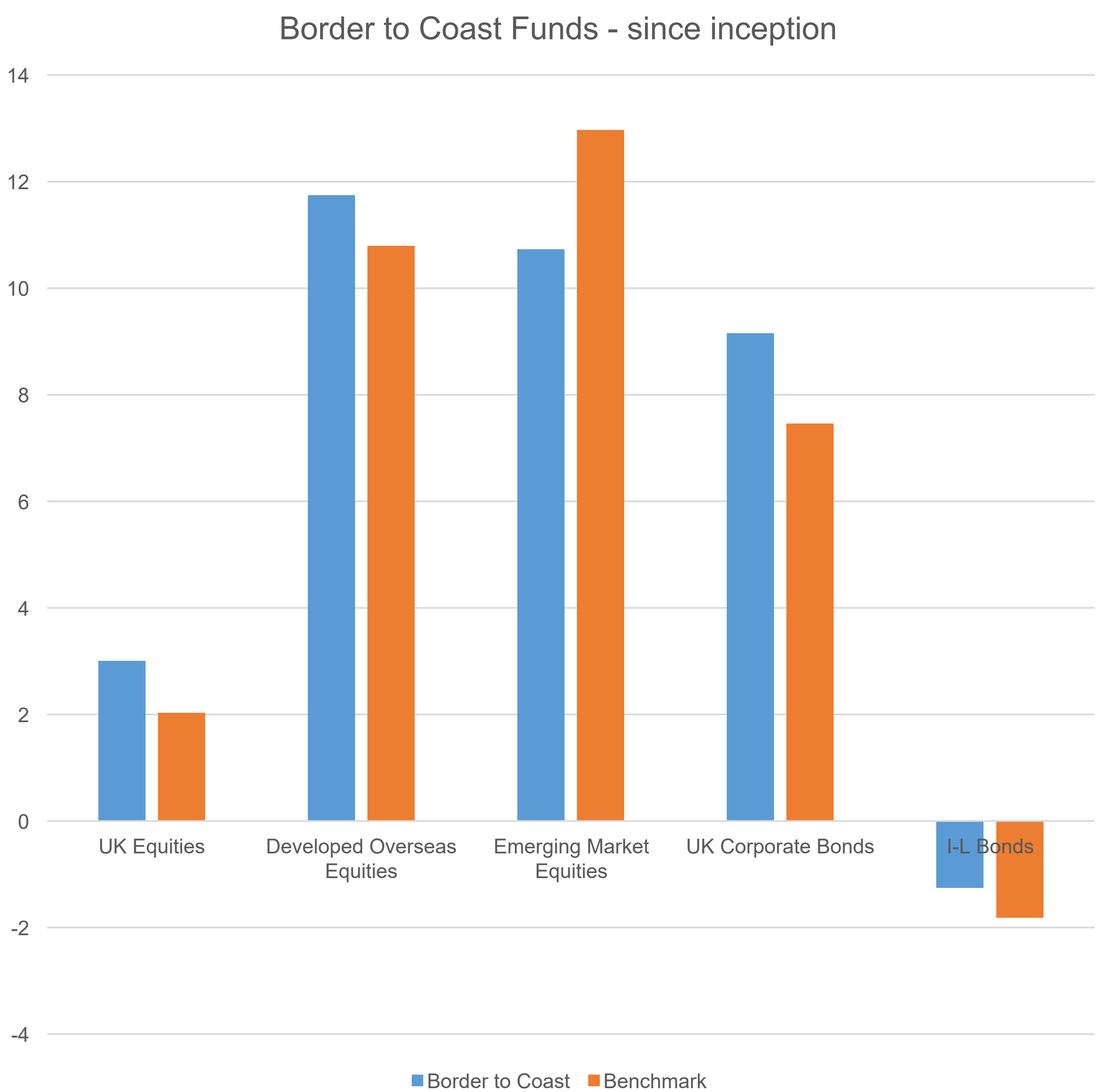
The portfolio lagged the benchmark by 1.7% over the full quarter. (Post restructuring the Fund underperformed by 0.7%) Both the internal sleeve and UBS underperformed whilst FountainCap outperformed.

Both the bond portfolios outperformed their benchmark. In particular it is encouraging to see that the Sterling Investment Grade Credit portfolio has delivered excess returns versus the benchmark in periods of strength and weakness for credit.

Looking at the longer term position, the chart below shows the performance of each of the Border to Coast funds that we hold since the inception of the individual product.

It can be seen that four of the five funds have outperformed their benchmark and matched the target return.

Performance-Border to Coast Funds



SOUTH YORKSHIRE PENSIONS AUTHORITY

Funding Level

The funding level as at 30 June 2021 is 113.3%.

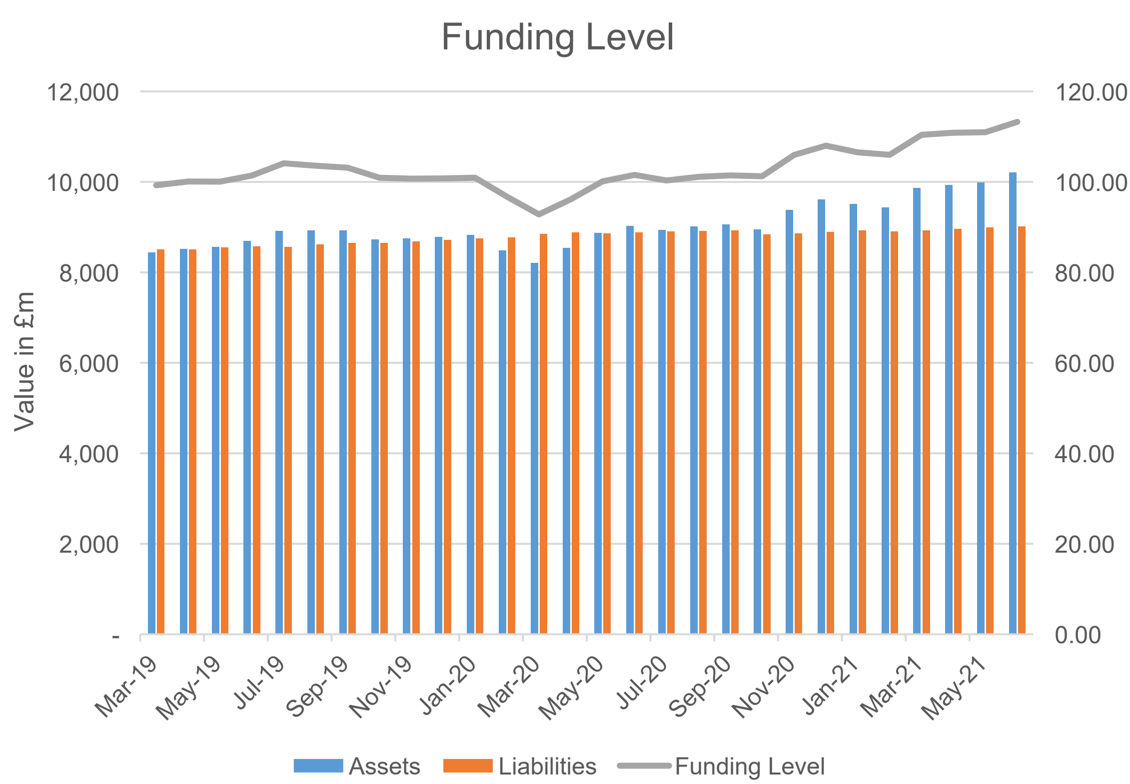
The breakdown is as follows:

Fund's Assets:

As at 30 June: £10,211m
As at 31 March 2021: £9,862m
An increase of £349m

Funds Liabilities:

As at 30 June 2021: £9,015m
As at 31 March 2021: £8,932m
An increase of £83m



Outlook

Economies are showing strong growth from the pandemic. Corporate earnings and dividends are recovering strongly but valuations in some cases are still extended. Concern that rising inflation will be sustained rather than transitory could cause volatility in equity markets if bond yields and interest rates move higher.

The strong performance that we have seen this year may begin to fade as there are increasing indications that the fiscal and monetary support which has allowed economies to ride out the worst of the disruption caused by Covid will be eased in 2022, with tighter monetary policy and the possibility of tax increases being discussed in several regions.

UK Equities

The speed of the vaccine roll-out has helped lift restrictions and should aid economic recovery. The UK market offers attractive valuations plus benefits from cyclical sectors that will benefit from post pandemic re-opening However, strong sterling will weigh on the FTSE 100 given its high exposure to foreign revenues We will look to maintain the current exposure.

Overseas equities

We expect market conditions to remain volatile. We expect that a combination of continued policy support from the authorities and stronger global growth should support equities. The robust profits outlook and the delivery of strong earnings growth will offset the impact of higher bond yields. Thus we will keep our overweight equity stance at this moment particularly when return expectations in other asset classes are more limited. However, profits will be taken when necessary.

Bonds

For long term investors it is difficult to see the value in investing in such low yielding assets as gilts and treasuries when policy is likely to favour allowing higher inflation (within reason) to run over risking a deep recession.

Index-linked gilts give protection against rising inflation but real yields are very low and likely to rise if nominal yields rise due to higher inflation.

Outlook

Bonds cont

Credit spreads edged tighter over the quarte as risk assets were buoyed by lower yields and high levels of liquidity, despite deteriorating growth sentiment. Credit spreads are now at their tightest levels in history which merits a more cautious approach, at least over the near term, given the high levels of uncertainty.

Given the lack of viable alternatives in developed market government bonds, or increasingly in investment grade credit, EM and high yield spreads look likely to remain well bid.

At least there is a yield and therefore a decent level of income in high yield and emerging markets, although even this is much lower than we have been used to. The same cannot be said for developed markets government bonds despite the yield increases earlier this year. Yields are so low that one needs deflation to justify holding for any but the shortest period of time. These markets will continue to be supported by central banks but long-term investors need higher potential returns to justify allocations here

Real Estate

The challenges facing sectors exposed to consumer discretionary spending are persisting. Supermarkets and retail warehousing remain the clear beneficiaries within the wider retail sector.

The outlook for the office sector continues to stimulate debate with more and more talk about a hybrid working future. The logistics sector is expected to have another strong year.

Investment strategy will continue to favour sectors with more defensive characteristics. Fundamentally the preference would be to invest in areas where the structural drivers of demand are largely insulated from the ongoing pandemic, including logistics and supermarkets. Assets offering long secure income-streams with indexation are expected to deliver favourable risk-adjusted returns. Longer income assets are currently outperforming shorter income assets and ongoing strong demand for those cash flows is expected to drive continued outperformance

Will look to selectively increase weighting.

Outlook

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, generally generates above market returns and we are looking to add further investments into this asset class although it may take some time for capital to be deployed.

Cash

Cash is now at a level that we are happy with. Any further cash requirement will be financed by switching among the asset classes.