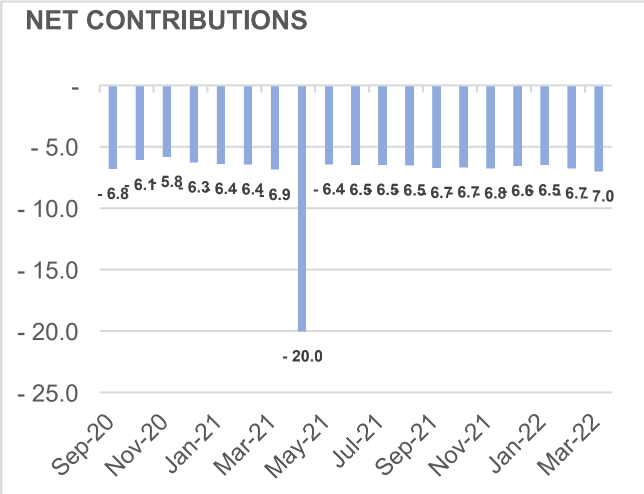
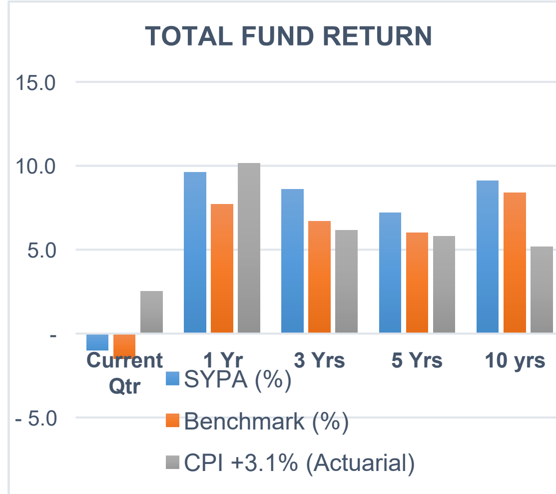
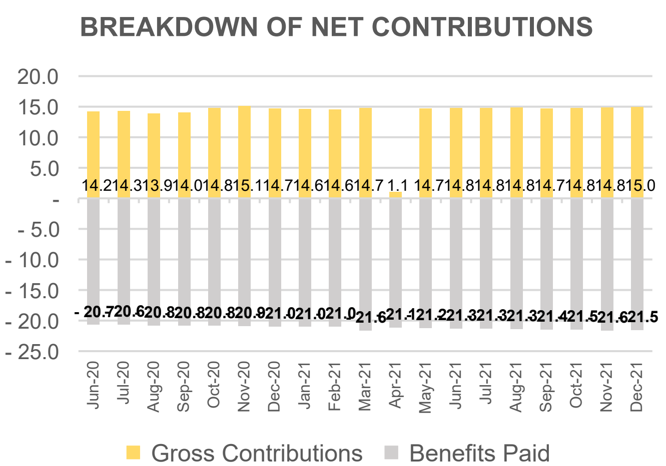
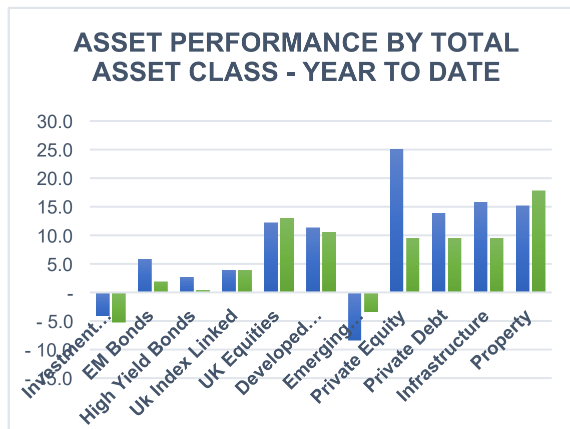
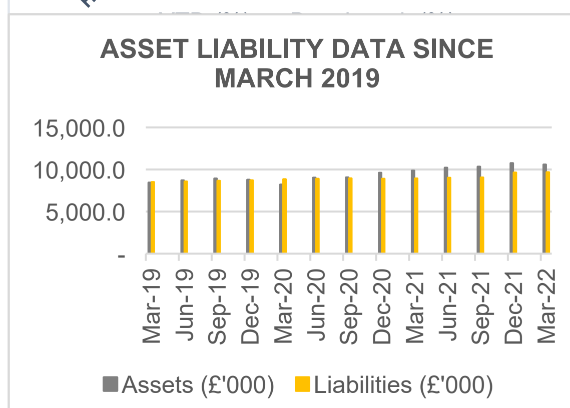
QUARTERLY REPORT TO 31 MARCH 2022

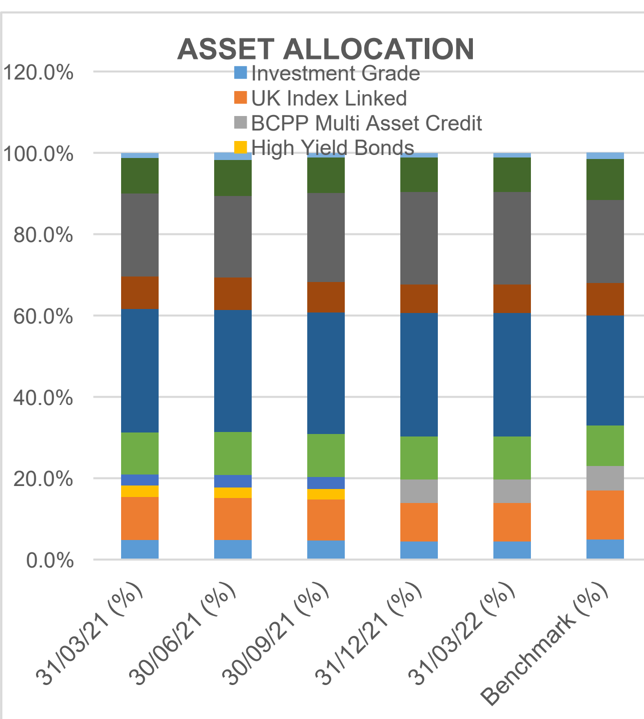

NET CONTRIBUTIONS
-
- 5.0
- 10.0
- 15.0
- 20.0
- 25.0
- 6.8 6.1 5.8 6.3 6.4 6.4 6.9
- 20.0
- 6.4 6.5 6.5 6.5 6.7 6.7 6.8 6.6 6.5 6.7 7.0
Sep-20 Nov-20 Jan-21 Mar-21 May-21 Jul-21 Sep-21 Nov-21 Jan-22 Mar-22

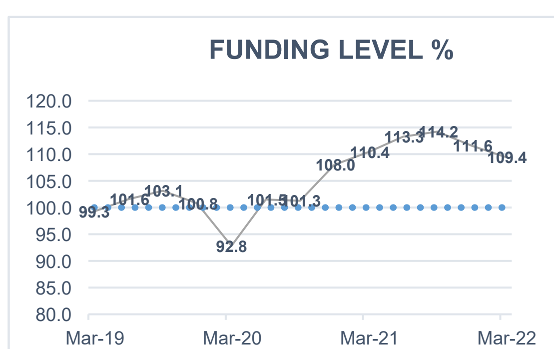

TOTAL FUND RETURN
15.0
10.0
5.0
-
- 5.0
Current Qtr
1 Yr
3 Yrs
5 Yrs
10 yrs
SYPA (%)
Benchmark (%)
CPI +3.1% (Actuarial)


BREAKDOWN OF NET CONTRIBUTIONS
20.0
15.0
10.0
5.0
-
- 5.0
- 10.0
- 15.0
- 20.0
- 25.0
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 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21
Gross Contributions
Benefits Paid


ASSET PERFORMANCE BY TOTAL ASSET CLASS - YEAR TO DATE
30.0
25.0
20.0
15.0
10.0
5.0
-
- 5.0
Investment...
EM Bonds
High Yield Bonds
Uk Index Linked
UK Equities
Developed...
Emerging...
Private Equity
Private Debt
Infrastructure
Property


ASSET LIABILITY DATA SINCE MARCH 2019
15,000.0
10,000.0
5,000.0
-
Mar-19 Jun-19 Sep-19 Dec-19 Mar-20 Jun-20 Sep-20 Dec-20 Mar-21 Jun-21 Sep-21 Dec-21 Mar-22
Assets (£'000)
Liabilities (£'000)


ASSET ALLOCATION
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
Investment Grade
UK Index Linked
BCPP Multi Asset Credit
High Yield Bonds
31/03/21 (%)
30/06/21 (%)
30/09/21 (%)
31/12/21 (%)
31/03/22 (%)
Benchmark (%)


FUNDING LEVEL %
120.0
115.0
110.0
105.0
100.0
95.0
90.0
85.0
80.0
99.3
101.6
103.1
100.8
92.8
101.5
101.3
108.0
110.4
113.3
114.2
111.6
109.4
Mar-19
Mar-20
Mar-21
Mar-22

SOUTH YORKSHIRE PENSIONS AUTHORITY

Market background

The quarter proved exceptionally volatile with a combination of geopolitical unrest, rising inflation, tightening monetary policy and the ongoing pandemic causing a broad sell-off across most major asset classes. Russia's invasion of Ukraine in late February caused a global shock and commodity prices soared given Russia is a key producer of several important commodities, including oil, gas and wheat. This contributed to a further surge in inflation. China was also negatively affected by renewed Covid-19 outbreaks, leading to new lockdowns in some major cities and further supply chain disruption.

UK equities were resilient as the FTSE 100 index rose over the quarter due to the high weighting of oil, mining, healthcare and banking sectors in the index. The Bank of England moved to hike rates ahead of other developed market central banks. They had two consecutive 25bps rises in February and March. UK consumer price inflation is expected to rise to over 9% later this year before falling back in Q1 2023. The Chancellor announced additional measures alongside his Spring statement which he says was to support the UK consumer

Global equities fell over the quarter in sterling terms with the developed markets outperforming emerging markets. Asia Pacific ex Japan was the strongest performing region with Europe ex-UK being the weakest region. The Chinese market remained weak, due to concerns over government action to rebalance the economy and a resurgence of Covid cases.

As the conflict in Ukraine started there was a short-lived rotation towards safe haven assets and bond prices rose but as things started to unfold investors focussed on the increasing inflationary pressures and government bond yields rose sharply as markets priced in a faster pace of monetary normalisation. Corporate bonds saw significant negative returns and wider spreads, underperforming government bonds. High yield spreads widened more than investment grade although total returns were better due to income. Emerging market bonds were also negative with local currency bonds slightly more resilient than hard currency bonds.

Commodity indexes rose strongly driven by sharply higher prices for energy and wheat following Russia's invasion of Ukraine.

Real estate returns were positive with all sectors rising. Industrials were the strongest with hotels the weakest. UK real estate transaction volumes remained strong despite concerns about the Omicron variant of Covid-19 and the less supportive central bank policies.

Fund Valuation

as at 31 March 2022

	Dec-21		Quarterly Net	Mar-22		Benchmark	Range
	£m	%	Investment	£m	%	%	%
FIXED INTEREST							
Inv Grade Credit - BCPP	485.6	4.5	0.0	454.7	4.3	5	
UK ILGs - BCPP	952.6	8.8	0.0	870.7	8.2	10	
UK ILGs SYPA	69.3	0.6	0.0	63.5	0.6		
MAC - BCPP	617.9	5.7	0.0	587.3	5.5	6	
TOTAL	2125.4	19.7	0.0	1976.2	18.6	21	16-26
UK EQUITIES	1144.1	10.6	-10.0	1140.8	10.7	10	5 _ 15
INTERNATIONAL EQUITIES							
Developed Market - BCPP	3237.6	30.0	-60.0	3099.6	29.1	27.125	
Developed Market - SYPA	28.1	0.3	-7.0	24.7	0.2		
Emerging Market - BCPP	768.9	7.1	0.0	721.2	6.8	7.875	
Emerging Market - SYPA	2.4	0.0	-0.3	1.0	0.0		
TOTAL	4037.0	37.4	-67.3	3846.4	36.1	35	30-40
LISTED ALTERNATIVES - BCPP	0.0		190.8	198.6	1.9	0	
PRIVATE EQUITY							
BCPP	140.4		13.9	155.7			
SYPA	881.5		-52.3	888.1			
TOTAL	1021.9	9.5	-38.4	1043.8	9.8	7	5_9
PRIVATE DEBT FUNDS							
BCPP	33.8		12.0	46.0			
SYPA	485.1		-9.6	491.9			
TOTAL	518.9	4.8	2.4	537.9	5.0	5.5	4.5-6.5
INFRASTRUCTURE							
BCPP	160.5		24.1	184.4			
SYPA	748.3		-92.5	695.3			
TOTAL	908.8	8.4	-68.4	879.7	8.3	10	8_12
PROPERTY	915.2	8.5	-26.4	911.8	8.6	10	8_12
CASH	124.6	1.2		118.7	1.1	1.5	0-5
TOTAL FUND	10795.9	100.0		10653.9	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1272.8			1321.7			

Asset Allocation Summary

The largest transaction this quarter was the transition of £140m of listed alternative holdings to the new Border to Coast Listed Alternatives fund. This took place at the end of January.

Ahead of the above transition we reduced our listed equity holdings by £70m. £50m of this was invested into the listed alternative fund.

At the same time we had further drawdowns of £10m across the infrastructure and private debt funds.

Within property we completed on three sale transactions during the quarter. Winterhill Retail Park was sold for £15m, Chertsey Street Guildford was sold for £12.7m and Union Street, Bath sold for £1.7m. These were all transactions that were reported in the 2021 strategic plan.

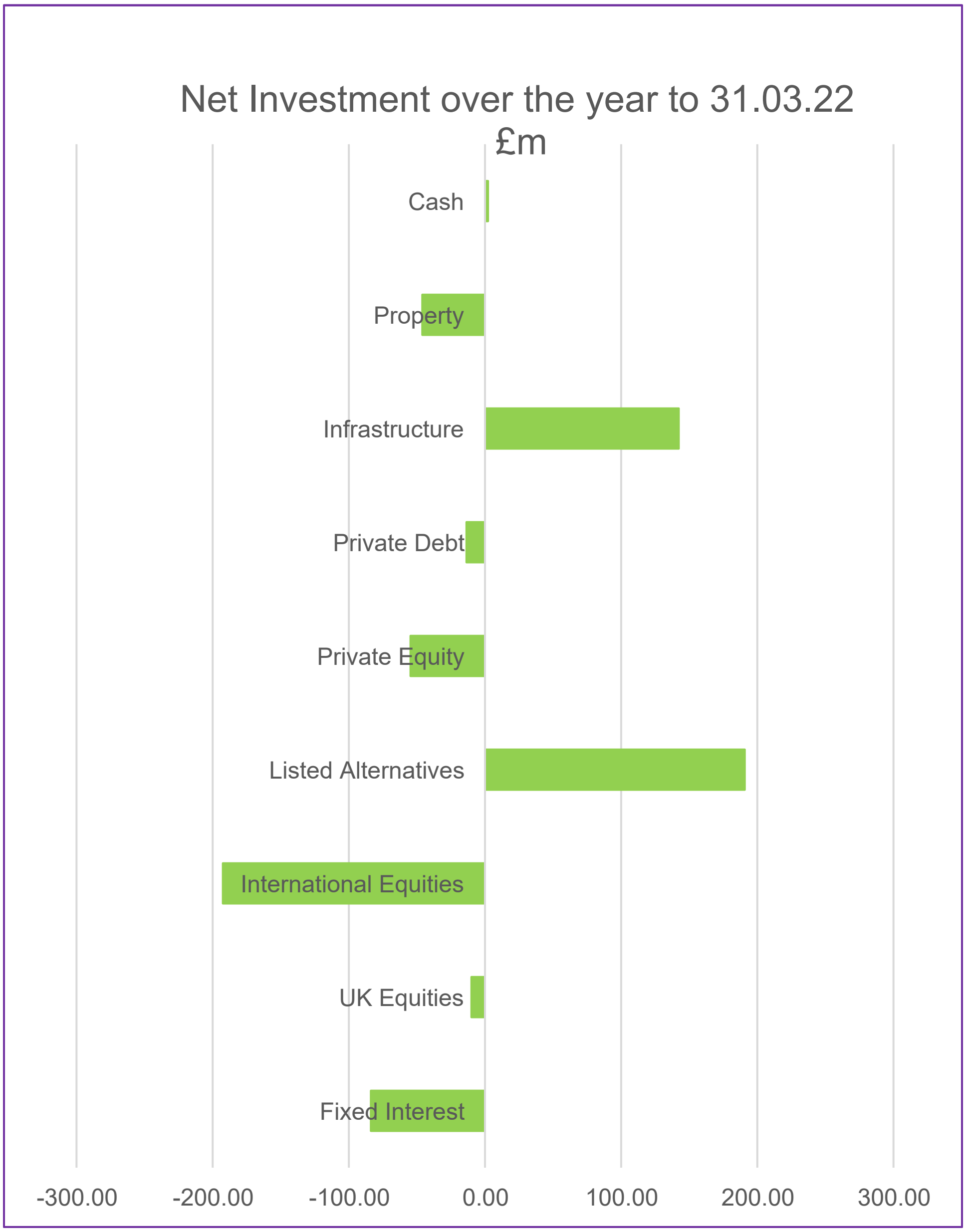
There is now only one category that is outside it's tactical range and that is private equity.

We have seen continued uplift in valuations from our private equity fund holdings and although we had a net £38m realisation over the quarter we actually saw an increase in weighting to this category. As we have been reducing our annual commitment to this category over the last few years as realisations come through the overall weighting should reduce.

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

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

Asset Allocation Summary



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	934.2	8.8	**-1.2**
Sterling Inv Grade Credit	5	3 - 7	454.7	4.3	**-0.7**
Multi Asset Credit	6	4 - 8	587.3	5.5	**-0.5**
UK Equities	10	5 - 15	1140.8	10.7	**0.7**
Overseas Equities	35	30 - 40	3846.4	36.1	**1.1**
Private Equity	7	5 - 9	1043.8	9.8	**2.8**
Private Debt	5.5	4.5-6.5	537.9	5.0	**-0.5**
Infrastructure	10	8 - 12	879.7	8.3	**-1.7**
Listed Infrastructure	0	0-2	198.6	1.9	**1.9**
Property	10	8 - 12	911.8	8.6	**-1.4**
Cash	1.5	0 - 5	118.7	1.1	**-0.4**
Total	100		10653.9	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

Performance

as at 31 March 2022

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	-5.8	-6.2	-4.1	-5.2
UK ILGs	-8.6	-8.6	3.9	3.9
High Yield Bonds			2.7	0.4
EM Bonds			5.8	1.9
Multi Asset Credit - BCPP	-4.9	1.0		
TOTAL	-6.9	-7.3	0.8	-0.7
UK EQUITIES	0.6	0.5	12.2	13.0
INTERNATIONAL EQUITIES				
Developed Market - BCPP	-2.4	-2.7	11.4	10.5
Developed Market - SYPA	-6.1	-2.7	4.9	10.5
Emerging Market - BCPP	-6.2	-2.5	-8.4	-3.7
Emerging Market - SYPA	7.2	-2.5	1.9	-3.7
TOTAL	-3.1	-2.6	7.0	7.3
PRIVATE EQUITY	6.0	2.3	25.1	9.5
PRIVATE DEBT FUNDS	3.3	2.3	13.9	9.5
INFRASTRUCTURE	5.1	2.3	15.8	9.5
PROPERTY	3.4	4.2	15.2	17.8
CASH	0.0	0.0	0.0	0.0
TOTAL FUND	-1.0	-1.5	9.6	7.7

Performance Summary

For the quarter to the end of March, the Fund returned -1.0% against the expected benchmark return of -1.6% and this was all sue to stock selection.

The breakdown of the stock selection is as follows:-

DM Overseas Equities	0.1%
EM Overseas Equities	-0.3%
Total Bonds	0.2%
Private Equity funds	0.3%
Private Debt funds	0.1%
Infrastructure funds	0.2%
Property	-0.1%

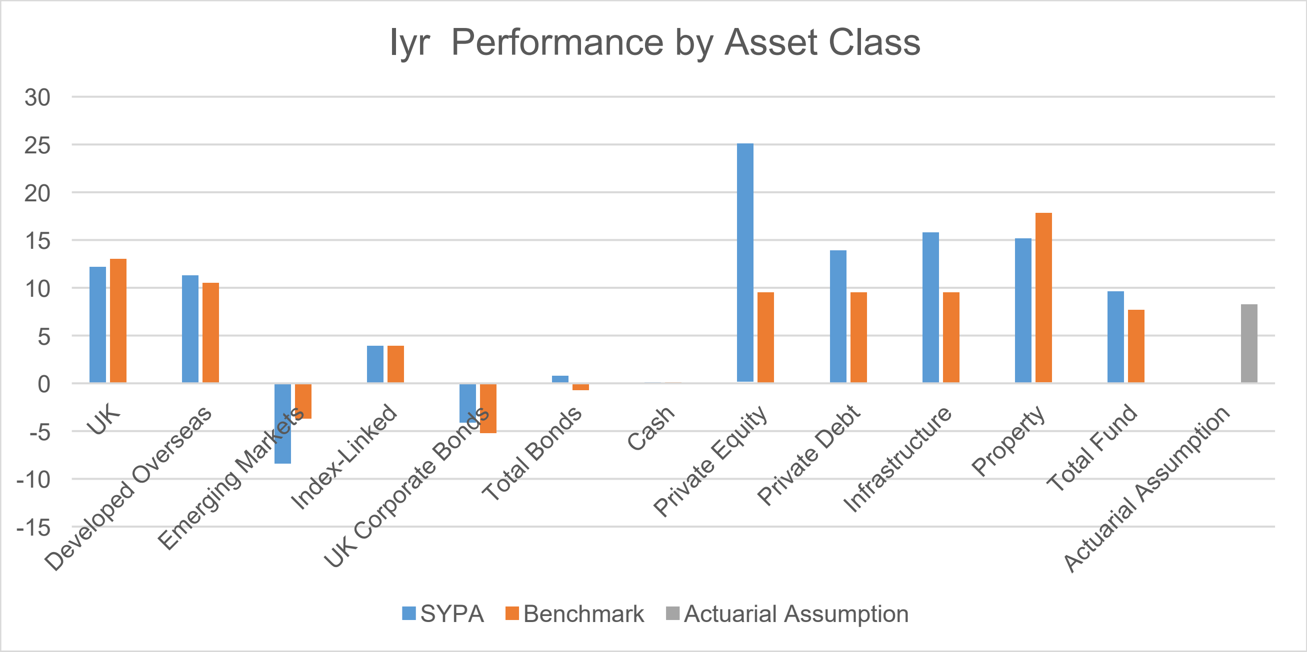
For the financial year the return of the Fund at 9.6% is above the expected return of the benchmark of 7.7%.

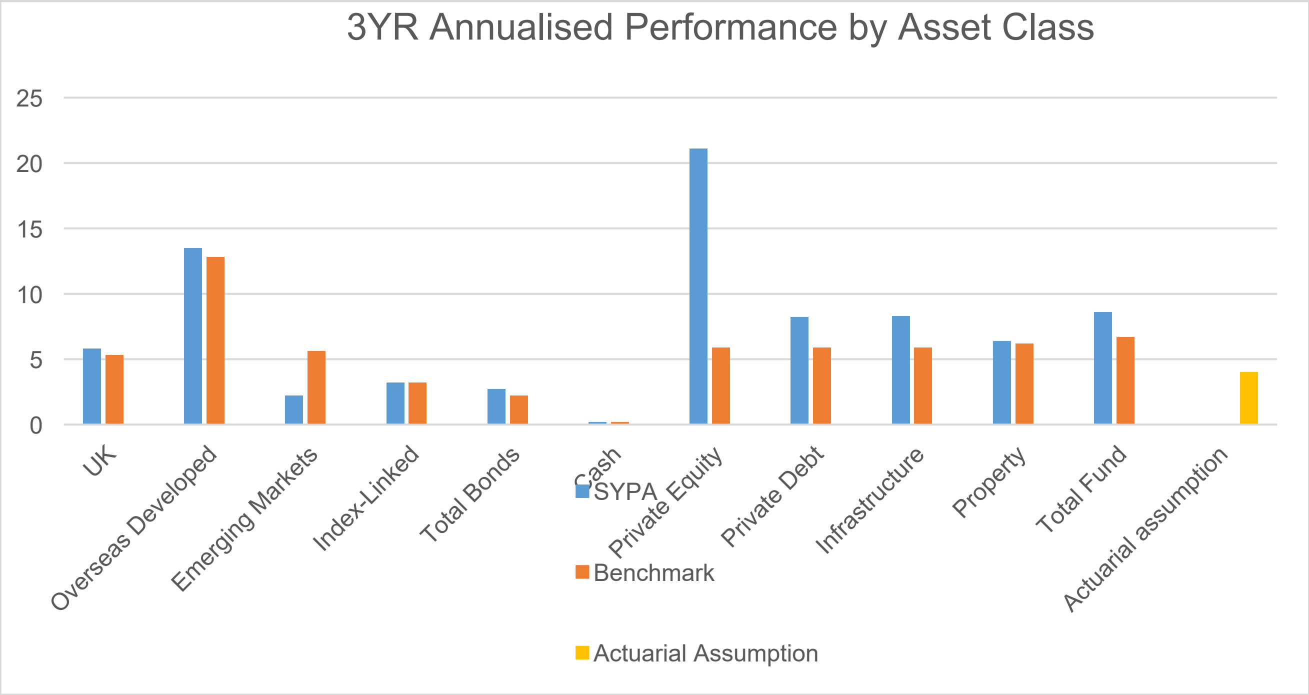
Asset allocation during the year contributed 0.1% with the remainder being due to stock selection.

UK Equities	-0.1%
DM Overseas Equities	0.2%
EM Overseas Equities	-0.4%
Total Bonds	0.3%
Private Equity funds	1.3%
Private Debt funds	0.2%
Infrastructure funds	0.5%
Property	-0.3%

SOUTH YORKSHIRE PENSIONS AUTHORITY

Performance-Medium term





Performance – Border to Coast Funds

This quarter the UK equity portfolio showed outperformance of its benchmark. The portfolio benefited by being overweight basic materials where commodities did well on recent supply concerns triggered by the Russia/Ukraine conflict and by rising inflation and consumer confidence concerns.

The Overseas Developed Market portfolio continued it's steady outperformance with all regions except for Pacific ex-Japan outperforming their respective benchmarks.

The Emerging Market fund suffered this quarter with its small overweight to Russia being the largest detractor to performance. Also the Chinese market was once again under pressure as new Covid outbreaks and subsequent lockdowns putting renewed pressure on supply chains and the prospect of weaker than anticipated Chinese GDP growth.

Gilt yields increased significantly as inflation continued to rise and the Bank of England raised interest twice, from 0.25% to 0.5% in early February and to 0.75% in mid-March. The increase in yields resulted in a total return of -8.6%, in line with the benchmark.

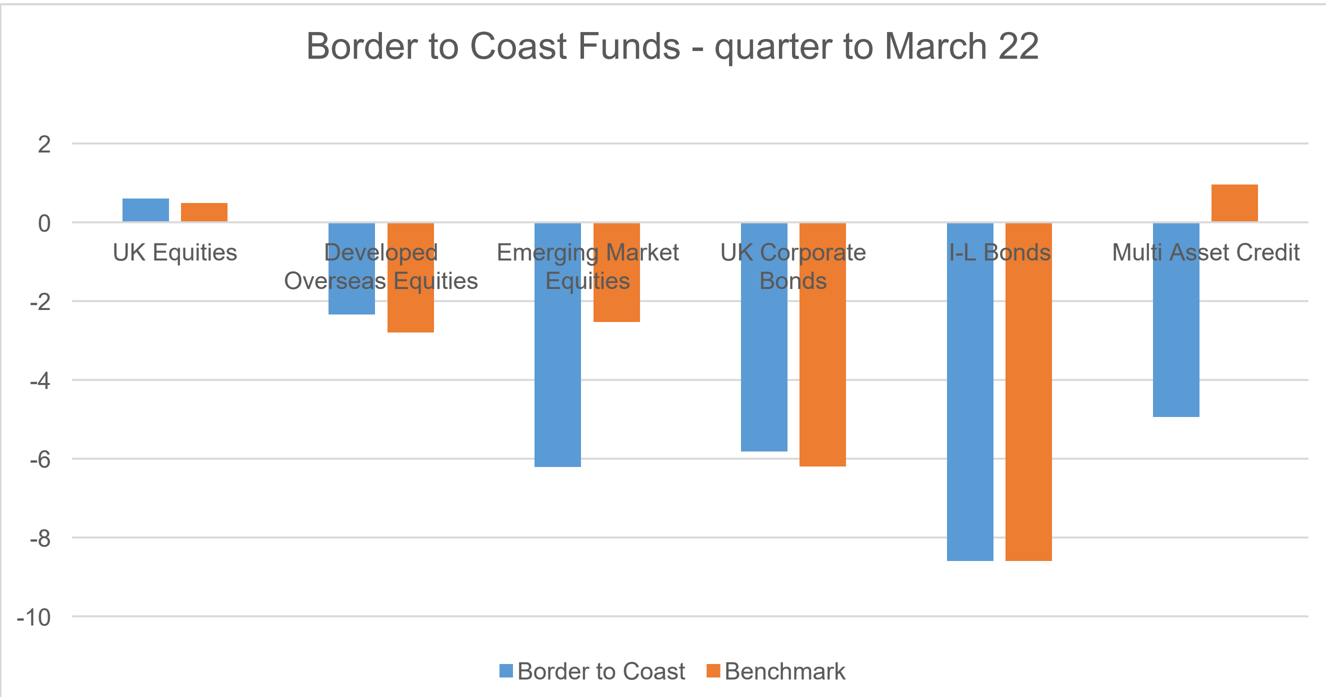
Despite a challenging period for investment grade credit and particularly those assets that are sensitive to interest rate movements, the portfolio continued to outperform its benchmark with all three managers outperforming.

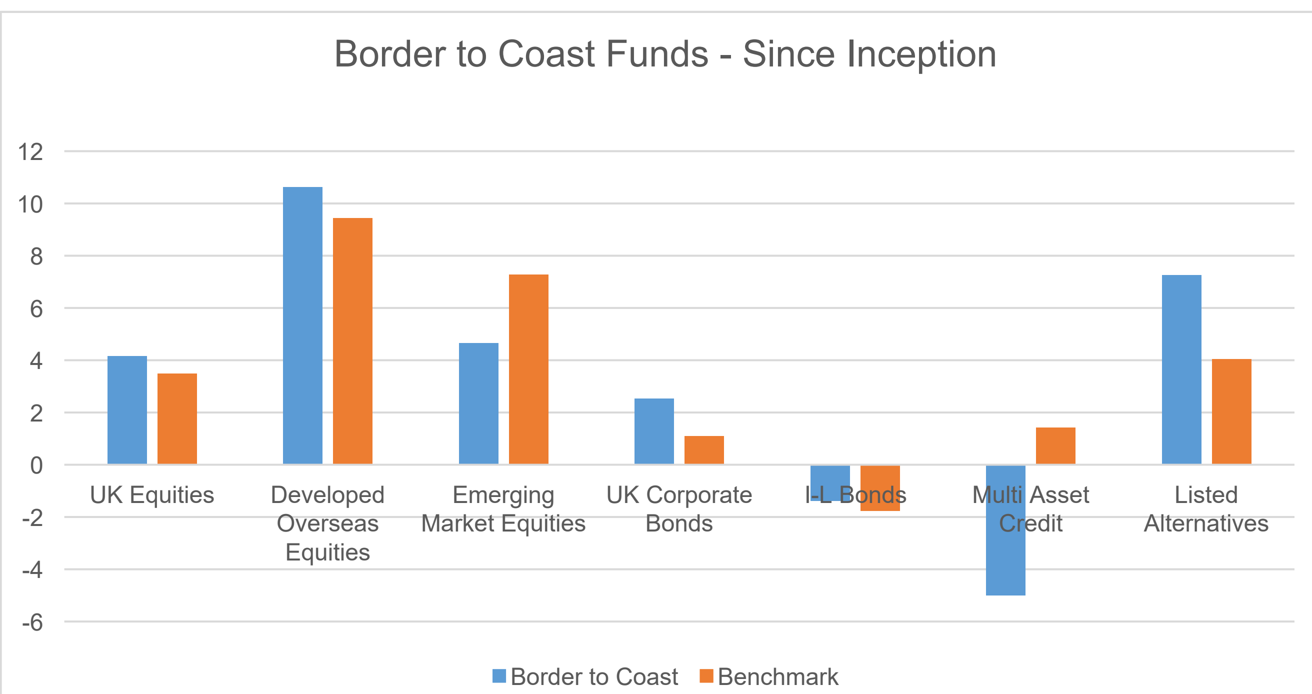
The Multi-Asset Credit fund has an absolute return benchmark and this quarter all the underlying fixed income asset classes experienced weak performance as central banks stepped back from their accommodative stance and thus led to underperformance. Also the war in the Ukraine weighed heavily on risk asset prices. They only slightly underperformed their secondary benchmark (-0.3%)

The Listed Alternatives fund showed outperformance for the period since 18th February when the portfolio came out of transition. However it is still too early to comment on performance

The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





Funding Level

The funding level as at 31 March 2022 is estimated to be 109%

The breakdown is as follows:

Fund's Assets at 31 March	£10.586
Funds estimated Liabilities at 31 March	£9,673

Caveat
This estimate is calculated on a rollforward basis. This means that there is no allowance made for any actual member experience since the last formal valuation on 31 March 2019.

Alternative Fund Commitments for 2022

Private Equity	£100m
Private Debt	£140m
Infrastructure	£185m
Climate opportunities	£80m (3 year commitment is £245m)
Total commitment	£505m

Outlook

Geopolitical and monetary risks are higher than we have seen for many years. Monetary policy tightening and the subsequent implications for economies will be key for the markets. Inflation risk is the greatest challenge for most investors with concern that higher than expected inflation accelerates the removal of policy accommodation. Central banks will have to manage monetary conditions well to avoid falling into recession.

From an asset allocation perspective, equities face headwinds but should still outperform bonds as equities will still be supported by earnings growth even if it is lower than in 2021. Policy tightening by the Central Banks will lead to higher yields and thus negative bond performance.

UK Equities

At this time we prefer UK equities to other developed equity markets as relatively high exposure to defensive stocks and commodities means that the market should be better able to withstand geopolitical deterioration relative to other markets. UK inflation is expected to peak later this year, driven by higher energy prices, however the government has announced additional measures which are designed to support the UK consumer.

Overseas equities

We expect market conditions to remain volatile as higher than expected inflation accelerates the removal of monetary policy accommodation. The US economy is relatively less vulnerable to geopolitical concerns given its energy independence, but rising rates pose a valuation issue for US equities. Europe's heavy dependence on Russia for oil and gas has created uncertainty about the security of supply and fears remain that high energy prices will weigh on both business and consumer demand. Japan is less impacted by the situation in Europe with the government introducing gas subsidies to support growth by helping household consumption. However a global recovery is crucial for this export led market. The risk to equities is that if rate hikes need to come even faster than currently anticipated. We are now only moderately overweight overseas equities although we are underweight emerging markets relative to our benchmark weighting.

Outlook

Equities cont

We see no reason to adjust this position as although valuations for emerging markets do not look expensive the market outlook has deteriorated. Also the resurgent number of Covid cases and lockdowns in some major cities in China is exacerbating the situation.

Bonds

Currently the case for chasing returns in lower rated securities is not compelling as economic conditions are less favourable than twelve months ago and valuations don't fully compensate for the risks involved. The expectation of higher rates is negative for nominal government bonds and credit markets but given the outlook for higher medium term inflation we would prefer inflation linked bonds. Index-linked gilts give protection against rising inflation but real yields are very low (negative) and likely to rise if nominal yields rise due to higher inflation We are underweight credit against a backdrop of rising rates and high valuations. At the moment we prefer to take moderate risk in equities.

Real Estate

The expectation is that UK real estate will provide robust returns in 2022, but will not reach the levels seen in 2021 as it is expected that performance will moderate in response to the weakening macroeconomic environment. The rate of inflation is anticipated to continue rising over the next couple of quarters and thus bond yields will move out. The higher bond yields will act as a cap on any further yield compression especially in the lower yielding areas in the market such as the industrial and logistics sector.

It is expected that the industrial sector will remain the key sector call driven by strong rental growth, and investors continuing to target the sector as a result. The office sector is still expected to come under further structural pressure with secondary assets with poor ESG credentials being at risk as demand continues to focus on best-in-class assets. However, they are still expected to underperform the broader market. Retail performance despite showing some recovery is still likely to be under pressure, with discount-led retail warehouse schemes once again driving performance.

Outlook

Real Estate cont
The alternatives sector is expected to see continued growth with focus directed to those areas with strong demographic drivers, such as the private residential sector (including student accommodation) and healthcare.

The Fund has a positive weighting to London & SE industrials but could benefit from healthcare exposure alongside better quality student halls. Retail (dominant standard shops in particular) performance looks to be returning and will start to drive performance, this should also be an area to consider alongside further exposure to supermarkets.
Will look to selectively increase weighting.

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, have the potential to add value and diversification. They generally generate 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. We have weighted our commitments this year to private debt and infrastructure where we are still underweight and have made a smaller commitment to private equity where we are overweight. Within our alternative allocation we have also made a commitment to the new Climate Opportunities Fund.

Cash

Cash is now at a level that any further cash requirement will be financed by switching among the asset classes.