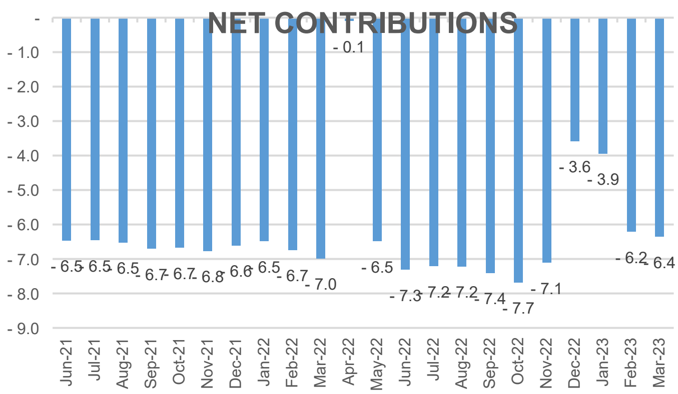
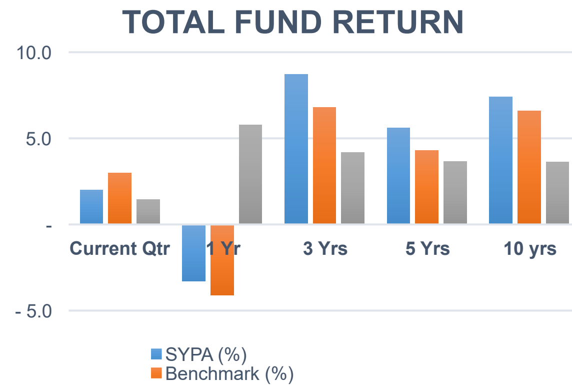
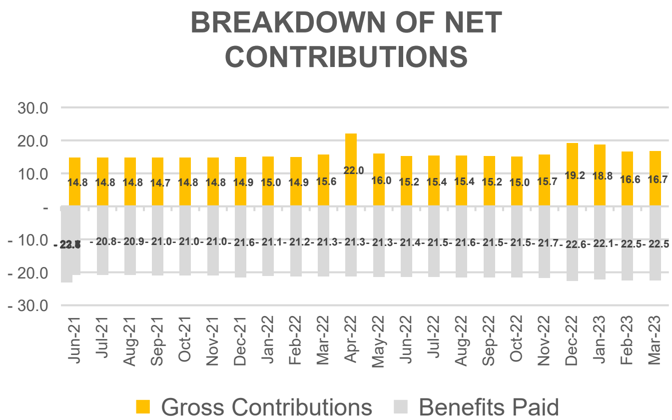
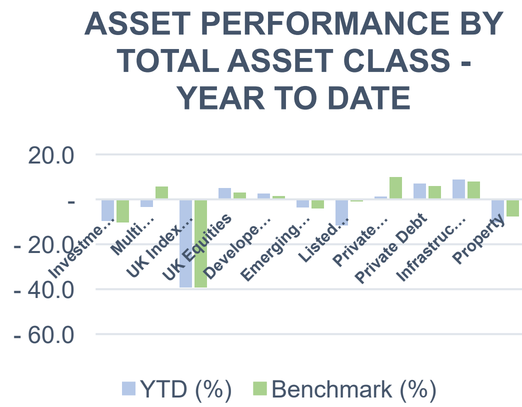
SOUTH YORKSHIRE PENSIONS AUTHORITY

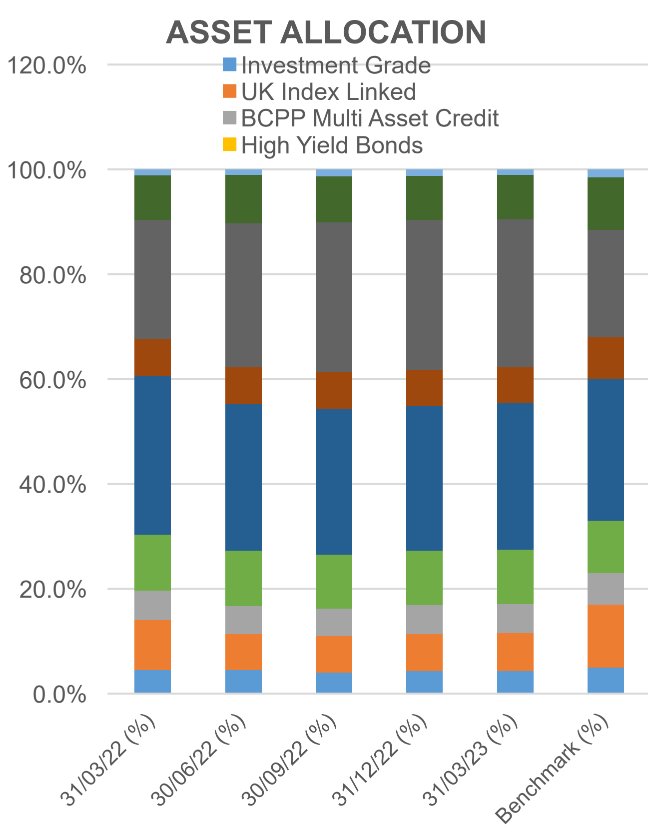
QUARTERLY REPORT
TO 31 MARCH 2023

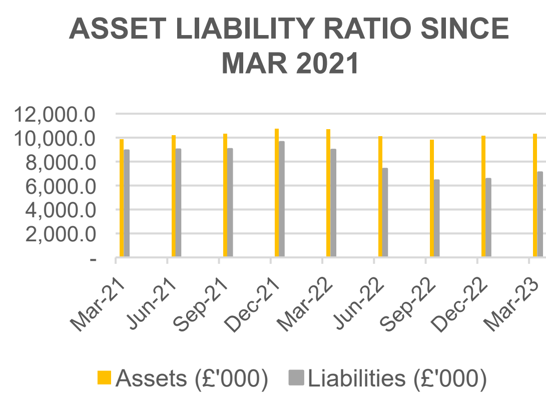

NET CONTRIBUTIONS
- 6.5 - 6.5 - 6.5 - 6.7 - 6.7 - 6.8 - 6.6 - 6.5 - 6.7 - 7.0 - 0.1 - 6.5 - 7.3 - 7.2 - 7.2 - 7.4 - 7.7 - 7.1 - 3.6 - 3.9 - 6.2 - 6.4
Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22 Aug-22 Sep-22 Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23

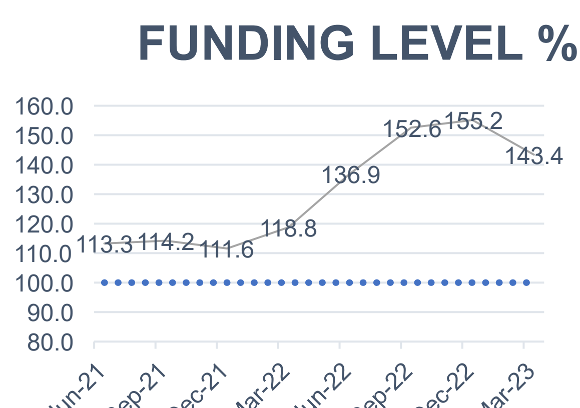

TOTAL FUND RETURN
Current Qtr
1 Yr
3 Yrs
5 Yrs
10 yrs
SYPA (%)
Benchmark (%)


BREAKDOWN OF NET CONTRIBUTIONS
Gross Contributions
Benefits Paid


ASSET PERFORMANCE BY TOTAL ASSET CLASS - YEAR TO DATE
Investme...
Multi...
UK Index...
UK Equities
Develope...
Emerging...
Listed...
Private...
Private Debt
Infrastruc...
Property
YTD (%)
Benchmark (%)


ASSET ALLOCATION
Investment Grade
UK Index Linked
BCPP Multi Asset Credit
High Yield Bonds
31/03/22 (%)
30/06/22 (%)
30/09/22 (%)
31/12/22 (%)
31/03/23 (%)
Benchmark (%)


ASSET LIABILITY RATIO SINCE MAR 2021
Mar-21 Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23
Assets (£'000)
Liabilities (£'000)


FUNDING LEVEL %
113.3 114.2 111.6 118.8 136.9 152.6 155.2 143.4
Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23

Market background

Equities and bonds delivered positive return in Q1 2023 but markets were volatile. The quarter began with positive sentiment on the growth outlook as energy costs fell and China's economy reopened. Big swings in expectations around Fed policy then dominated equity and bond market returns.

Most of the rise in equities occurred in January following stronger than expected economic data. European equities were the strongest, while US equities lagged. The financial sector was weak after the collapse of Silicon Valley Bank in the US, and also a week later, troubled lender Credit Suisse was bought by UBS in a deal that was instigated by the Swiss authorities. Growth stocks rallied 15% over the quarter, compared to value stocks which include energy and financial companies, which returned around 1%.

Emerging markets although posting positive returns over the quarter, lagged developed markets. The year started on an optimistic note for emerging markets, given the re-opening of China's economy but February and March saw US-China tensions reappear following the shooting down of a Chinese high altitude balloon in US airspace.

A combination of strong economic data in February and 'sticky' inflation led bond investors to expect higher interest rates in the future and yields on shorter-term US bonds hit 5%. Then the collapse of SVB in March as well as worries about the broader banking sector caused investors to re-assess how high central banks would be expected to push interest rates. Short-term US bond yields fell below 4% and government bonds rallied in March as the bond markets started to discount sizeable rate cuts.

Against this backdrop bond markets were volatile and credit spreads have widened. US and European investment grade posted positive returns towards the quarter end, but high yield was negative with poor performance from the banking sector dominating.

Economic activity in developed markets has held up better than originally feared due to the resilience of services sectors. Despite expectations of a recession, the jobs market remains resilient, consumer spending has been robust, and the overall confidence of businesses has been positive

Market background

The US is better insulated from high energy prices, and household savings are still offsetting the rise in prices which is supporting spending. In the UK and Europe, the unwinding of high energy prices has allowed economies to deliver positive surprises against negative expectations.

Inflation is slowing but it is still too high and remains a problem for central banks as they try to bring prices down with higher interest rates and manage the stresses in the financial system caused by higher rates. It is not expected that there will be major impacts from the banking sector, although there might be stricter lending standards, and this could impact more leveraged sectors such as commercial property, which is more sensitive to interest rate movements.

Data in the US indicated that inflation is cooling, and the Federal Reserve reacted to this. They announced two rate hikes of 25bps each, which was down from the previous 50bps moves. In the UK the latest data from the ONS showed that the economy had not contracted in Q4 2022 and thus the economy avoided a technical recession, which is two consecutive quarters of contraction. However, the Bank of England is still predicting that we will fall into a recession later in 2023 but it will be shallower than it was predicting previously. Inflation although falling did prove to be stronger than expected. The Bank of England raised rates twice, by 50bps and then 25bps in March in response to this. Eurozone inflation declined to a one-year low in March of 6.9% down from 8.5% in February but core inflation actually rose to 5.7% from 5.6%. The ECB remained the most hawkish, raising rates twice by 50bps. The Bank of Japan made no further adjustments to its yield curve control policy despite core inflation rising. As a consequence of these rate moves and expectations the US dollar weakened against most major currencies.

Commodity indexes showed a negative performance over the quarter. Energy was one of the worst performing components although precious metals and industrial metals achieved price gains. Within energy, prices for natural gas, gas oil and heating oil were all sharply lower. In precious metals, gold achieved a robust price gain while silver achieved a more modest price uplift. Within industrial metals, nickel was sharply lower but was offset by gains in copper and aluminium.

Market background

Real estate returns fell again this quarter with Industrials being the weakest performing sector and residential being the most resilient sector. Capital value declines have been the main driver in weaker performance given a weaker macroeconomic environment and rising debt costs. Yields moved out across all sectors particularly in lower yielding areas of the markets (such as industrials).

Fund Valuation

as at 31 March 2023

	Dec-22 £m	%	Quarterly Net Investment	Mar-23 £m	%	Benchmark %	Range %
FIXED INTEREST							
Inv Grade Credit - BCPP	427.7	4.3	0.0	435.8	4.3	5	
UK ILGs - BCPP	671.3	6.7	0.0	702.9	6.9	10	
UK ILGs SYPA	35.9	0.4	0.0	37.9	0.4		
MAC - BCPP	551.5	5.5	-3.8	562.7	5.5	6	
TOTAL	**1686.4**	**16.9**	**-3.8**	**1739.3**	**17.1**	**21**	**16-26**
UK EQUITIES	**1044.9**	**10.4**	**-20.0**	**1057.7**	**10.4**	**10**	**5 _ 15**
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2767.0	27.6	-50.0	2845.9	28.0	27.125	
Emerging Market - BCPP	690.7	6.9	0.0	695.8	6.8	7.875	
Emerging Market - SYPA	0.9	0.0	0.0	0.8	0.0		
TOTAL	**3458.6**	**34.5**	**-50.0**	**3542.5**	**34.8**	**35**	**30-40**
LISTED ALTERNATIVES -BCPP	**157.0**	1.6	**0.0**	**155.8**	1.5	0	
PRIVATE EQUITY							
BCPP	242.7		20.3	246.1			
SYPA	852.0		-9.7	835.7			
TOTAL	**1094.7**	**10.9**	**10.6**	**1081.8**	**10.6**	**7**	**5_9**
PRIVATE DEBT FUNDS							
BCPP	111.9		10.0	115.6			
SYPA	480.3		-7.1	477.5			
TOTAL	**592.2**	**5.9**	**2.9**	**593.1**	**5.8**	**5.5**	**4.5-6.5**
INFRASTRUCTURE							
BCPP	306.0		26.6	324.8			
SYPA	712.7		-13.7	696.8			
TOTAL	**1018.7**	**10.2**	**12.9**	**1021.6**	**10.0**	**10**	**7_13**
CLIMATE OPPORTUNITIES	**4.2**	**0.0**	**28.0**	**30.9**	**0.3**	**0**	
PROPERTY	**842.4**	**8.4**	**18.4**	**862.1**	**8.5**	**10**	**8_12**
CASH	**115.1**	**1.2**		**97.1**	**1.0**	**1.5**	**0-5**
TOTAL FUND	**10014.2**	**100.0**		**10181.9**	**100.0**	**100**	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	**1531.5**			**1579.8**			

Asset Allocation Summary

We continued to reduce our overweight position to listed equity funds. We sold £70m, £20m from UK equities and £50m from overseas developed equities to fund further drawdowns into climate opportunities, private equity, private debt and infrastructure funds.

Within the commercial property portfolio we sold down a £6m holding in a property unit trust. There were further drawdowns on the CBRE loans and also the purchase of units in the National Homeless Property Trust.

After the trades mentioned above there is now only one category that is outside its tactical range and this is private equity.

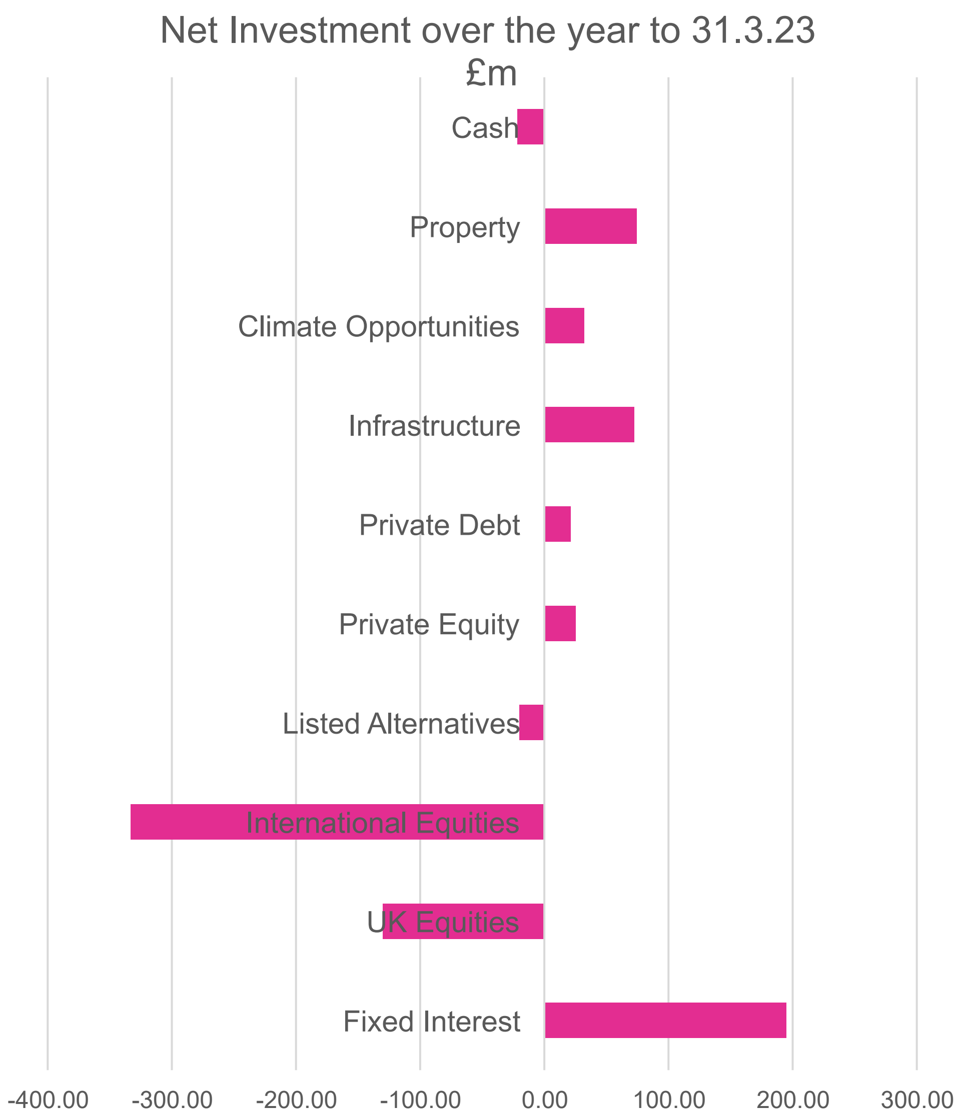
Our private equity fund holdings have topped out in terms of valuation and we have seen a reduction in weighting to this category. We have been reducing our annual commitment to this category over the last few years and as realisations come through the overall weighting should continue to reduce.

We also agreed our annual commitment to the Border to Coast alternative series 2B funds. These were £165m to Infrastructure funds, £165m to private debt funds and £125m to private equity funds and were based on our new benchmark weightings.

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 current strategic target and the interim benchmark introduced from 1st April.

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	7 - 13	740.8	7.3	**-2.7**
Sterling Inv Grade Credit	5	4 - 6	435.8	4.3	**-0.7**
Multi Asset Credit	6	4 - 8	562.7	5.5	**-0.5**
UK Equities	10	5 - 15	1057.7	10.4	**0.4**
Overseas Equities	35	30 - 40	3542.5	34.8	**-0.2**
Private Equity	7	5 - 9	1081.8	10.6	**3.6**
Private Debt	5.5	4.5-6.5	593	5.8	**0.3**
Infrastructure	10	7 - 13	1021.6	10.0	**0.0**
Listed Infrastructure	0	0-2	156	1.5	**1.5**
Climate Opportunities	0	0-2	30.9	0.3	**0.3**
Property	10	8 - 12	862.1	8.5	**-1.5**
Cash	1.5	0 - 5	97	1.0	**-0.5**
Total	100		10181.9	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 new benchmark

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/UW
Index Linked Gilts	7	5 - 9	740.8	7.3	**0.3**
Sterling Inv Grade Credit	5	4 - 6	435.8	4.3	**-0.7**
Multi Asset Credit	5	3 - 7	562.7	5.5	**0.5**
UK Equities	10	5 - 15	1057.7	10.4	**0.4**
Overseas Equities	35	30 - 40	3542.5	34.8	**-0.2**
Private Equity	7	5 - 9	1081.8	10.6	**3.6**
Private Debt	6.5	5.5-7.5	593	5.8	**-0.7**
Infrastructure	9	6 - 12	825.9	8.1	**-0.9**
Renewables	3	1-5	195.7	1.9	**-1.1**
Listed Infrastructure	0	0-2	156	1.5	**1.5**
Climate Opportunities	1	0-2	30.9	0.3	**-0.7**
Property	10	8 - 12	862.1	8.5	**-1.5**
Cash	1.5	0 - 5	97	1.0	**-0.5**
Total	100		10181.9	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

SOUTH YORKSHIRE PENSIONS AUTHORITY

Performance

as at 31 March 2023

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Investment Grade Credit - BCPP	2.8	2.4	-9.7	-10.2
UK ILGs	4.8	4.9	-39.2	-39.1
Multi Asset Credit - BCPP	2.7	1.8	-3.3	5.7
UK EQUITIES	**3.1**	**3.1**	**4.9**	**2.9**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	4.7	4.9	2.5	1.4
Developed Market - SYPA			-4.7	-8.4
Emerging Market - BCPP	0.7	0.2	-3.5	-4.1
Emerging Market - SYPA	-15.3	0.2	-16.2	-4.1
TOTAL	**3.9**	**3.8**	**1.3**	**0.4**
PRIVATE EQUITY	**-2.1**	**2.4**	**1.3**	**10.0**
PRIVATE DEBT FUNDS	**-0.2**	**1.5**	**7.0**	**6.0**
INFRASTRUCTURE	**-0.8**	**1.9**	**8.9**	**8.0**
PROPERTY	**1.1**	**0.5**	**-10.3**	**-7.6**
CASH	**0.9**	**0.9**	**2.2**	**2.2**
TOTAL FUND	**2.0**	**3.0**	**-3.3**	**-4.1**

Performance Summary

For the quarter to the end of March, the Fund returned 2.0% against the expected benchmark return of 3.0%. Asset allocation decisions taken together detracted by 0.1% and stock selection within the alternative asset classes detracted by 0.9%.

The breakdown of the stock selection is as follows:-

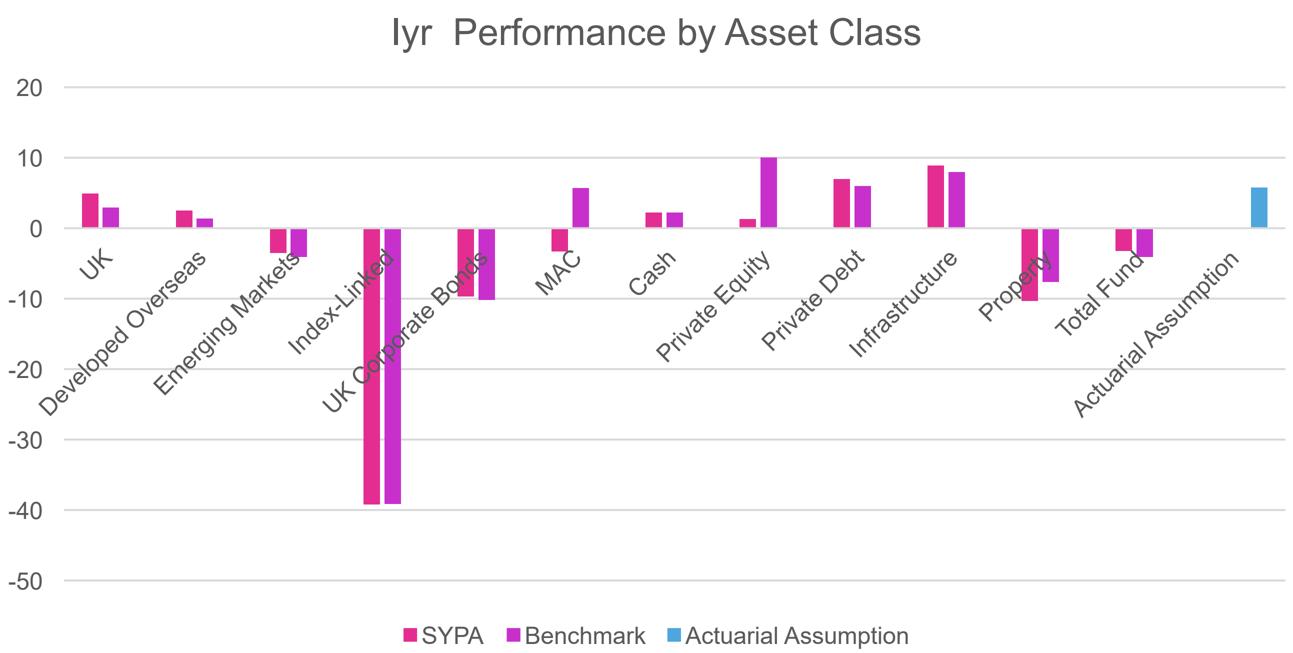
Listed Alternative fund	**-0.1%**
Private Equity funds	**-0.5%**
Private Debt funds	**-0.1%**
Infrastructure funds	**-0.2%**

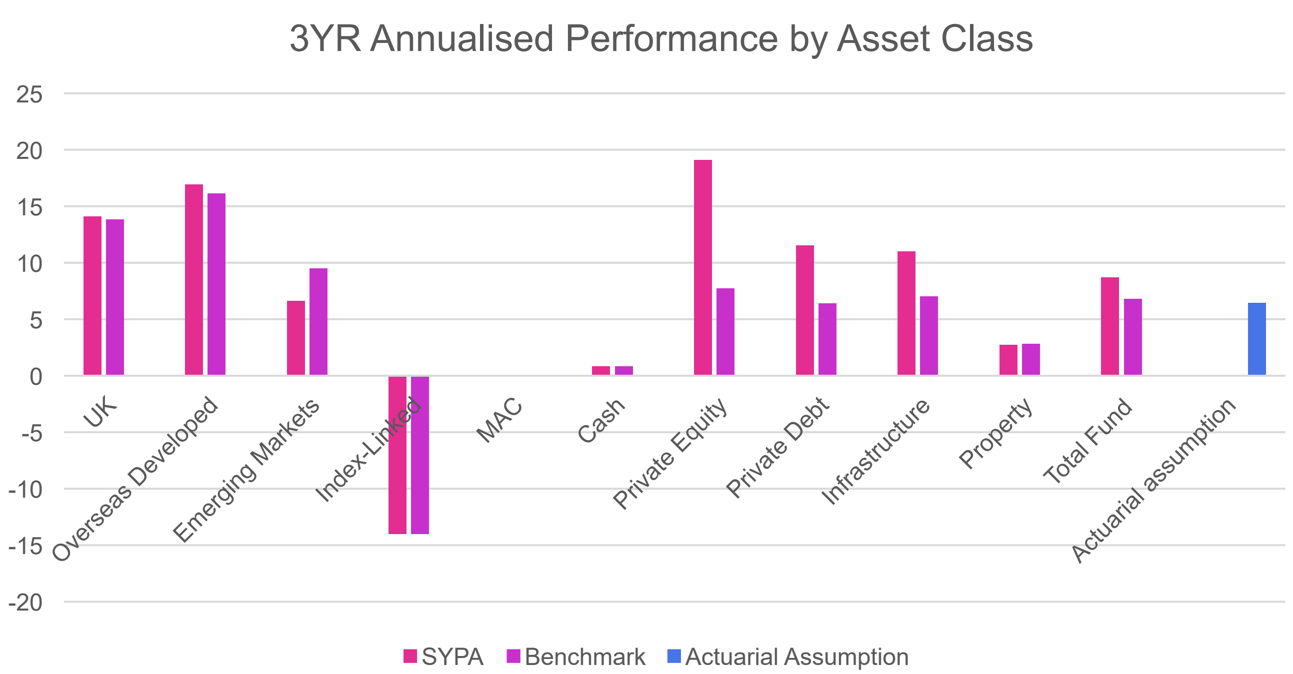
For the financial year the return of the fund at -3.3% is ahead of the expected return of the benchmark of -4.1%.

Asset allocation during the year contributed 1.2% with stock selection detracting by 0.4%

UK equities	**0.2%**
Overseas Equities	**0.3%**
Bonds	**0.2%**
Listed alternatives	**-0.3%**
Private Equity funds	**-0.8%**
Private Debt funds	**0.1%**
Infrastructure funds	**0.1%**
Property	**-0.2%**

Performance-Medium term





Performance – Border to Coast Funds

The UK equity portfolio showed outperformance of its benchmark this quarter and is now achieving its target return since inception. The portfolio benefited by being underweight real estate where the sharp rise in yields negatively impacted property valuations and by being overweight basic materials such as Antofagasta and BHP and being underweight Glencore which benefitted from global economic recovery post the pandemic lockdown.

The Overseas Developed Market portfolio underperformed marginally returning 4.7% against the expected benchmark of 4.6%. The main reason for this underperformance was in the US where a pronounced rally in lower quality, cyclical stocks hurt the relative performance of high quality stocks favoured by the Fund, although it was partly offset by strong stock selection in Asia Pacific ex-Japan and Europe and by strong stock selection in Technology, Financials and Materials. The portfolio is ahead of its target since inception.

The Emerging Market portfolio outperformed the benchmark this quarter by 0.7%, with both external Chinese managers underperforming their target index but the internal manager outperformed strongly. The portfolio is behind the benchmark since inception.

The index-linked portfolio generated a total return of 4.71% during the quarter, compared to the benchmark return of 4.86%. The majority of the underperformance was due to the impact of the widening of corporate spreads, which led to credit underperforming, with a more muted impact from a modest underweight duration position. The portfolio has met its target since inception.

The Sterling Investment Grade Credit fund performed well over the quarter, +2.84%; ahead of benchmark by 0.45% with positive contributions from all three managers. From inception all the managers have achieved outperformance of their target.

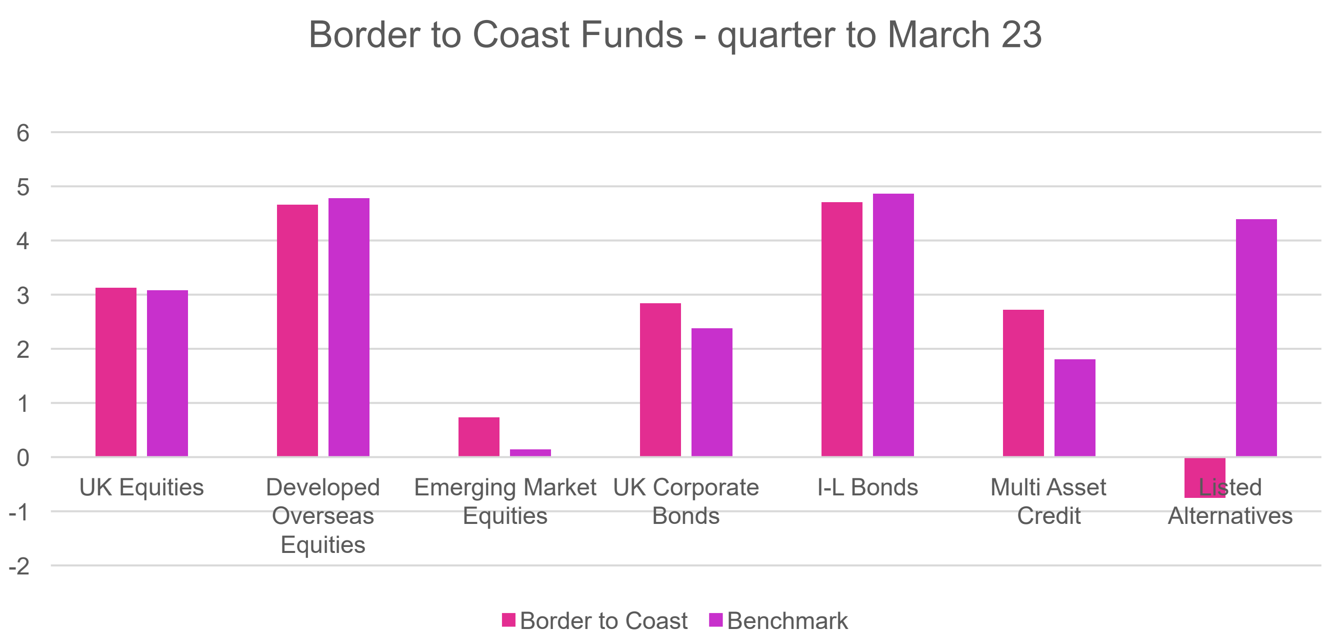
Performance – Border to Coast Funds

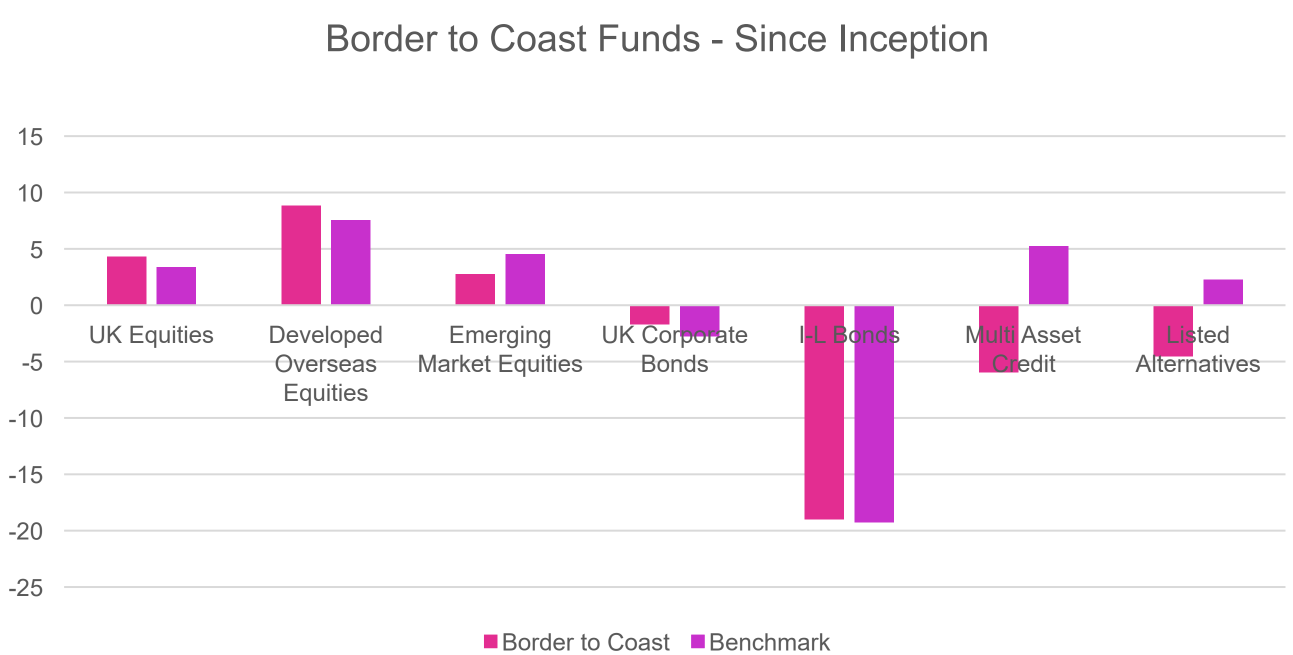
The Multi-Asset Credit fund has an absolute return benchmark and this quarter all the underlying fixed income asset classes experienced strong performance and thus led to outperformance. Duration was a positive contributor for the quarter. High yield, Emerging market local bonds and leveraged loans all performed strongly. The fund is still behind target from inception with only the internal team and Wellington (high yield manager) outperforming their benchmark.

The Listed Alternatives fund showed underperformance for the quarter. The portfolio has a diversified portfolio which includes listed assets in infrastructure, specialist real estate, private equity and alternative credit. The Fund returned -0.75% over the quarter, taking returns since inception to -4.53%. Listed Alternative assets have lagged global equity markets over the period, with the MSCI ACWI Index returning 4.39% in the last quarter and 2.29% since the launch of the Fund. The Fund's sensitivity to interest rates was the primary driver of negative absolute performance, with a historically aggressive monetary tightening cycle proving challenging for many long-duration assets including real estate, high-growth equity, venture capital and long-dated bonds

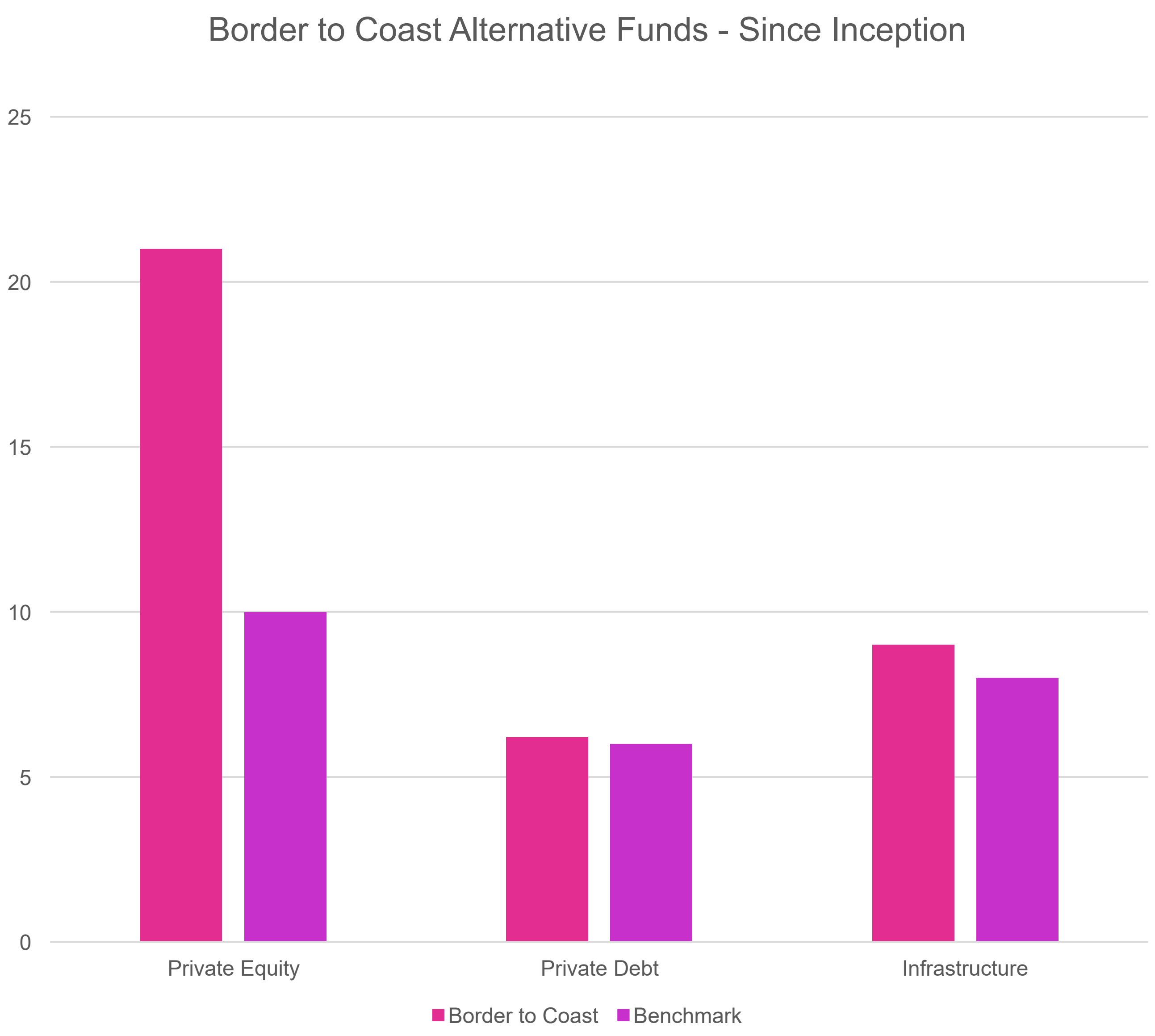
The charts below show quarterly returns but also the longer term position of each of the Border to Coast funds that we hold.

Performance-Border to Coast Funds





Performance-Border to Coast Alternative Portfolios



Funding Level

The funding level as at 31 March 2023 is estimated to be 143.4%

The breakdown is as follows:

Fund's Assets at 31 March	**£10,181.9**
Funds estimated Liabilities at 31 March	**£7,100**

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 2022

Outlook

Monetary tightening is close to an end, but markets will be looking for an increase in leading economic indicators before there is any substantial rally. The backdrop to growth and inflation has marginally improved, but the path forward for asset classes remains uncertain.

Valuations have become more attractive, but the background is still challenging.

UK Equities

The UK still has reasons for investors to be nervous about the outlook. The housing market is vulnerable given higher rates, the cost-of-living crisis is still hurting, wage inflation is impacting margins and there are still issues with post-Brexit trading arrangements. However, the UK market is only loosely tied to the health of the UK economy and in terms of valuations the FTSE 100 is currently trading on less than 11 times expected earnings which is a huge discount to the US market and is also cheaper than shares in any other developed market. Would like to have a fairly neutral weighting

Overseas equities

We expect market conditions to remain volatile. We are now only moderately overweight overseas equities although we are underweight emerging markets relative to our benchmark weighting. Valuations do not look stretched except for in the US as long as the earnings expectations are met. Will look to continue rebalancing total overseas weighting towards neutral

SOUTH YORKSHIRE PENSIONS AUTHORITY

Outlook

Bonds

As we are nearing the top of the interest rate tightening cycle, government bonds are beginning to look more attractive. Valuations are looking more attractive than in recent months and the asset class will become more competitive from an income perspective than it has been for many years. When it comes to corporate bonds, managers will have to weigh up the yield they can achieve with the company specific risk that comes with it. We have benefited from being underweight bonds as rates have been increasing but we now see better value in bonds so will be rebalancing into bonds.

Real Estate

The unusual market conditions since last summer have particularly penalised core, high quality, low yielding assets such as our industrial, logistics and supermarket holdings and this has led to a period of relative underperformance bit this is expected to be temporary as the fundamentals for these sectors remain positive.

The strongest rental and capital growth over the next five years is expected to be seen in the residential and industrial sectors and in selected alternative markets. The recommendation is to maintain the overweight to industrials but to increase the exposure to selected alternatives and to deploy capital to build a position in the residential sector.

The focus will still be on good quality assets with strong ESG credentials.

Will look to selectively increase our weighting.

Outlook

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 with the allocations being weighted more towards private credit which tend to benefit from the linkage to floating rates in a period of rising rates and to infrastructure investments, in particular to renewable energy funds that have a particularly high level of linkage to inflation and have secure income characteristics. We are also adding further to climate opportunity funds.

Cash

Cash at the end of the quarter was at a level that cash requirements would have necessitated switching among the asset classes, but the level will increase in April due to the pre-payment of contributions from some employers. The deployment of cash to the alternatives sectors should see a gradual reduction in this cash balance.