

Benchmark Review

Wiltshire Pension Fund (“the Fund”)

This paper is addressed to the Pension Fund Committee, and sets out the benchmarks currently used as comparators for the Fund’s investments, as well as our comments on their appropriateness. We do not propose any additional action is taken as a result of this review as the benchmarks being used are generally reasonable in our view.

| Asset Class | Fund | Strategic Allocation | Benchmark index | Performance target p.a. | Rationale for benchmark |
|----------------------------------|---|----------------------|--|-------------------------|--|
| Global Equity | Brunel Paris-aligned Developed (Passive) | 12.5% | FTSE Developed Paris Aligned Hedged Index | - | The fund aims to match the performance of the benchmark. |
| | Brunel Sustainable Global Equity (Active) | 6.0% | MSCI All Country World Index | +2% | The benchmark is a widely used index representing the global equity market (including emerging markets), and therefore Brunel’s opportunity set. |
| | Brunel Global High Alpha (Active) | 6.0% | MSCI World Index | +2-3% | The benchmark is a widely used index representing the global equity market (excluding emerging markets). Brunel do also invest in emerging markets on an opportunistic basis, which can add or detract from returns relative to the developed market benchmark. |
| Emerging Markets Equity and Debt | Ninety One Emerging Market Multi-Asset | 10.0% | 50% MSCI Emerging Markets Equity Index 25% JPM Emerging Market Bond Global Diversified Index 25% JPM Government Bond Emerging Markets Global Diversified Index | +2-4% | The split of the benchmark components between equity and debt broadly reflects the portfolio composition (although Ninety One can overweight equity or debt to an extent to add value). All three underlying benchmark components are widely used indices reflecting investable emerging market securities. |

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| Private Equity | Brunel Private Equity | 7.5% | MSCI All Country World Index | +2-3% | Whilst the portfolio is made up of unlisted equities, and therefore is not directly comparable to the listed equity benchmark, it is common to use a listed equity index for performance tracking purposes given the challenges of benchmarking private equities (e.g. lack of direct comparators, idiosyncratic nature of portfolios, general role of private equity as a return booster relative to listed equity). |
| Total Equity | | 42.0% | | | |
| Multi-Asset Credit | Brunel Multi-Asset Credit | 7.5% | SONIA +4% p.a. | - | "Cash plus" is a typical target/benchmark for portfolios that aim to generate an absolute return, as an indicator of the return achieved above a risk free rate. This approach does not show the extent to which the manager's performance is impacted by general credit market movements, but constructing market based benchmarks for MAC also has drawbacks. |
| Private Debt | Brunel Private Debt | 7.5% | SONIA | +4% | "Cash +4%" is consistent with the mandate's return target, which broadly reflects the return available on the investments Brunel is targeting. |
| Total Growth Fixed Income | | 15.0% | | | |
| Core Infrastructure | Partners Group Infrastructure | 4.0% | n/a | 8-10% | Absolute return targets are common with private markets – the 8-10% is consistent with Partners' target Internal Rate of Return (IRR) across the underlying funds. |

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| | Magellan Listed Infrastructure | | S&P Global Infrastructure NTR Index | - | The index is designed to track 75 companies, across the energy, transportation and utilities sectors from around the world to represent the listed infrastructure industry while maintaining liquidity and tradability. This is a widely used benchmark for listed infrastructure (where the approach and underlying investments differ to private markets infrastructure). |
| Renewable Infrastructure/ Climate Solutions | Brunel/Stepstone Infrastructure | 7.0% | CPI +4% p.a. | - | “CPI +4%” is consistent with the mandate’s return target, which broadly reflects the return available on the investments Brunel is targeting. |
| | TBC | | CPI +4% p.a. | - | “CPI +4%” is expected to be the target return on the mandate (note this portfolio is not yet in place). |
| Secured Income | Brunel Secured Income | 8.0% | CPI +2% p.a. | - | The fund invests in UK long lease property and private markets renewable infrastructure. There are no widely available market-based indices for these asset classes. CPI +2% reflects the overall target return for the fund. |
| Affordable Housing | Man Group Gresham House CBRE | 5.0% | CPI | +2-4% | There are no widely available market-based indices for this asset class. CPI +2-4% reflects expectations of the return prospects from the asset class. |
| Core Property | Brunel Property (UK/international pooled property funds) | 8.0% | UK: MSCI/AREF UK Quarterly Property Fund Index – All Property International: INREV Global Real Estate Fund Index | +0.5% | The UK index is a commonly used benchmark for property funds – it represents performance of a range of unlisted pooled property funds designed to broadly replicate the underlying property market. The Officers are currently considering the international property benchmark as part of the transition of the legacy CBRE assets to Brunel. |
| Total Real Assets | | 32.0% | | | |

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| Index-Linked Gilts | Brunel ILG >5 Years | 7.0% | FTSE A UK Index Linked Gilts Over 5 Years Index | - | The mandate aims to match the performance of the benchmark. |
| Liquid Loans | Pinebridge Global Bank Loans | 4.0% | 80% S&P Leveraged Loans Index 20% S&P European Leveraged Loans Index GBP Total Return Hedged | +1% | The split of the benchmark components between the US and Europe reflects the portfolio composition. Both underlying benchmark components are widely used indices reflecting the leveraged loan market and are therefore reflective of the opportunity set available to Pinebridge. |
| Liquidity Sleeve | SALAMI (Strategic Allocation to Liquid Asset Matching Investments) | 0.0* | Basket of underlying Exchange Traded Funds (ETFs) | - | The ETFs are designed to track the relevant underlying indices. |
| Total Low Risk Assets | | 11.0% | | | |

* Strategic allocation is zero, but the portfolio will hold up to 2% of total Fund assets to allow the Fund to better manage cashflow requests for private market investments and reduce the impact of cash drag on investment performance.

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