MJ HUDSON

REPORT PREPARED FOR

Oxfordshire Pension Fund Committee

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Oxfordshire Pension Fund Quarter to end June 2022

Summary

The value of the Fund in the quarter fell to £3.05bn, a decrease of £215m compared to the end March value of £3.26bn. The Fund produced a return of -6.6% over the quarter, which was -1.2% behind the benchmark. While the absolute value fall on a single quarter basis was worse than that seen in the previous quarter, performance against benchmark has actually seen a smaller decline. However, this now started to have a marked negative impact on the 12 month positions within it. To put this into a wider context, most LGPS Funds will have seen a fall in absolute values and negative performances against their benchmarks in H1 this year, but in general terms this was again a difficult quarter. Over a 12-month period the Fund recorded a negative relative return against the benchmark of -2.4% (-2.7% v.-0.3%). The scale of the recent underperformance has also had an impact on the longer term performance periods, now slightly behind the benchmark over the three years and in line over the five and ten year periods, details of which can be found in Brunel's report.

The highlights

1. Even though public markets experienced another volatile quarter, there was a growing feeling that the war in the Ukraine is likely to be a long drawn out conflict and that the rest of the world needs to adjust and plan accordingly. Apart from the obvious human element, high inflation (undoubtedly exacerbated by the conflict) will have an impact on economic growth and as such central banks find themselves walking a tight rope while they try to balance controlling inflation while attempting to avoid creating a recession through increased base rates.
2. The active public markets managers had another "challenging" quarter, which is a polite way of saying that as a group they underperformed again. For equities there was the continuing tug of war between value and growth "styles", with the added complication in Emerging Markets of being invested in the "in favour" countries alongside the correct sectors and companies.
3. At the time of writing the good news is that generally global equity markets have enjoyed a better third quarter, including an environment better suited to the growth style slants seen within the Brunel active mandates.
4. The consequences of recent events will be with us for some time to come as the countries aligned against Putin replace Russian sources of supply elsewhere. This is certainly evident with the countries who have had a high dependency on Russian energy supplies, such as Germany and Italy, who are working hard to secure supplies ahead of the winter period. In Germany this includes keeping their three remaining nuclear power stations in operation for the time being, which had been slated for closure.
5. Private Equity had another good quarter, but more importantly the one year and longer performance periods are excellent. For the in-house portfolio there is an

outperformance of 19.5% to report over 12 months, with Brunel Cycle 1 showing 58.1% over the same period. The listed private equity portfolio had a difficult Q2, but longer-term performance is still well in excess of public markets. Valuations are starting to trend downwards though, reflecting growing economic concerns and comparisons to public markets.

6. Property generally had a satisfactory quarter, particularly the Pooled Property, up 11.1%. However, that represents less than 1% of the Fund's assets!

The lower points

1. We'll start off again with Global Sustainable Equities, which with an underperformance of -1.9% (-10.3% v.-8.4%) is the worst performing portfolio. The quantum of the underperformance is considerably less than in Q1, so hopefully the main issues have now been priced in, even though the underlying reasons remain basically the same. The high exposure to American growth stocks, which have been hit hard this year, will have had a large impact on performance. To compound that, the low exposure to "value" stocks, which includes energy and commodity stocks which have outperformed again. It is comforting to report that out of the five managers engaged on this sub fund, two outperformed and two marginally underperformed. However the danger of the multi manager approach is once again highlighted by the fact that the one manager that substantially underperformed dragged the rest down.
2. Next up is Global High Alpha Equity, with an underperformance of -1.3% (-10.3% v. -9.0%). The background to this is similar to that above, so that the underperformance is substantially to do with sector allocation. It is highlighted that even companies showing robust financial performance saw indiscriminate falls in their valuations, which is challenging in the short term for managers focused on fundamentals. The old saying is that this is like babies being poured out with the bathwater, but in my experience, this provides excellent buying opportunities for managers with conviction. Again, the two managers with a growth bias underperformed, the two with a value bias outperformed. Opposing high conviction strategies that have cancelled each other out, but the downside exacerbated by the ESG tilt.
3. The UK Active underperformance, -1.1% (-5.7% v. -4.6%), reflected Baillie Gifford underperforming by -6.1%. The other manager, Invesco, outperformed by 2.1%. As you will be aware, Baillie Gifford have an excellent long-term track record. Brunel representatives have recently spent time with their managers to satisfy themselves that their processes and investment disciplines remain consistent with those in place at the time of their appointment.
4. We'll finish active equities with Emerging Markets, behind relatively by -1.1% (-5.0% v. -3.9%). You may observe that Emerging Markets performed relatively well in comparison to other markets during Q2, as China gained by 12% over the quarter. All three managers underperformed. The detail is in Brunel's report.
5. For the record, I am no longer bemused by the Multi Asset Credit Fund having effectively two benchmarks, having received a perfectly plausible explanation from

Brunel. Against the primary benchmark the portfolio underperformed by -9.8% (-8.6% v. 1.2%). It also slightly underperformed the secondary benchmark, which reflects the actual portfolio better. Clearly there was a lot of volatility in the component markets that make up the Multi aspect, the three managers struggled with that, two fared a bit better due to their different "mix".

6. Infrastructure investments continue to be made, with the final commitment being made in the quarter to the main Cycle 2 portfolio with a drawdown of 41%%, the renewables now also fully committed but still only 21% drawn down. Both Cycles are still relatively immature, with an expectation that relative performance will improve over time.
7. While Private Equity continues to perform well, drawdown from Brunel continues to be slow. Cycle one is 48% drawn, while Cycle 2 is only 22% drawn down.

Points for consideration

1. In the sort of challenging market environment that we have experienced this year it is understandable for focus to be on what is going on in the short term, rather than taking the longer term view of ensuring that our investment strategy continues to be appropriate to meet the Fund's liabilities in the future (pay the pensioners). By coincidence we are nearly at the stage of the three yearly cycle when we do indeed focus on our longer term strategy through the strategic asset allocation review. Lessons can certainly be learnt from short term events, most importantly to consider if what is happening now may have an impact on the Fund's longer term performance.
2. We were already in an increasingly inflationary environment before the invasion of Ukraine, as we have seen recently higher energy and food prices are rapidly driving CPI even higher. As discussed below, there are other inflationary forces to consider in the labour market, so our future strategy may well have to make provision for the likelihood of a higher level of inflation beyond the short term outlook.
3. As part of that, higher inflation will feed through to higher pension payments next year, possibly c.10%? This will be based on the CPI level this September. This needs to be considered in cash flow management assumptions going forwards.
4. Given my ongoing concerns about Brunel's lack of transparency concerning the management of their sub-funds, particularly concerning the detailed performance attribution form the multiple managers involved, I am hopeful that access will soon be provided to more information. Hopefully this will flow through to members having better detail about Brunel's performance for this Fund, including clear information concerning performance against targets for the active managers.
5. As part of members' ongoing training, I do hope that as many members as possible will attend the Brunel Investor Day on Wednesday 28 September.

Overview and Outlook thoughts

Global overview

Q2 was tough for most investors. Global markets continued to face the challenges of the ongoing war in Ukraine, lockdowns in China, continued supply chain disruptions, rising inflation, slowing economic growth and accelerated interest rate hikes. Inflation moved higher in many major economies over the quarter, with both equities and fixed income markets under pressure with the increased risk of recession. Global equities markets significantly declined, falling -16.1% over the quarter following the respective rate hikes across regions. US equities suffered the most (-16.1%); followed by Emerging Markets and European equities (-11.4% and -9.4% respectively); whilst UK equities registered a slightly negative return (-3.8%). Value-oriented stocks experienced a smaller decline than growth stocks (-12.2% for the MSCI World Value Index vs -21.4% for the MSCI World Growth Index). Corporate and government bond indices also sharply declined (for the UK indices, both by -7.4%), while the hard currency emerging market bond index fell -11.4%. Real assets such as commodities and real estate continued the volatility experienced last quarter, and the US dollar strengthened against most currencies, benefiting from broad risk aversion.

GDP growth: Despite the ongoing recovery of the UK economy from the pandemic, the impact of the Russia/Ukraine war is expected to slow growth in the UK alongside other advanced economies. The UK is expected to hit an inflation peak of 11%, with the expected fall in real wages positioned at 2%. The war is expected to hinder growth through higher commodity prices and supply chain disruption. The US is forecast to post a GDP growth rate of 2.4% for 2022, following a 1.6% slump in Q1. China's growth has been disrupted by another COVID-19 wave. Real GDP growth is expected to slow sharply to 4.3% in 2022, largely reflecting the damage caused by the Omicron outbreak.

GDP Growth Rate and Monthly CPI

%	GDP		CPI		
	Q2 2022	Q1 2022	Apr	May	June
UK	0.8	0.8	9.0	9.1	n/a
US	-0.2	-1.6	8.3	8.6	n/a
Eurozone	0.7	0.6	7.4	7.4	8.1
Japan	n/a	-0.1	2.5	2.5	n/a

Source: Bloomberg; Trading Economics. *Forecasts based on leading indicators.
GDP Notes: UK Real GDP (Ticker: UKGRABIQ Index); US Real GDP (Ticker: EHGDUS Index); Eurozone Real GDP (Ticker: EUGNEMUQ Index); Japan Real GDP (Ticker: EHGDJP Index)

Outlook thoughts

It is worth highlighting the following themes, potentially impacting investment markets:
Inflation – becoming entrenched?: For the first half of this year, surging energy prices resulting from the Russia-Ukraine war and global supply-chain disruptions from China's zero-tolerance COVID-19 lockdowns have pushed inflation even higher. In the US, the May CPI showed an increase of 8.6% YoY, marking a new 40-year high, while inflation in the Eurozone rose to a record high of 8.6% in June, and the BoE has forecast UK inflation may

peak at c.11% October. With labour markets remaining remarkably tight, average earnings are starting to rise faster (to 4% in the US in May), industrial action is increasingly common and even the normally moderate German IG Metall union is asking for a >7% pay rise. Together with the likelihood of further energy price rises this winter, it seems likely that inflation will not fall back to Central Banks' targets as quickly as they currently forecast.

Tighter monetary policy - are we approaching some limits? : Monetary policies continued to tighten, with the Fed increasing interest rates by 75 basis points on 15th June - the biggest rate hike since 1994 - to seek to tame inflation: It is expected to continue reducing its balance sheet and hiking rates until mid-2023, with figures forecast to lie within the 3.5-3.75% range. The BoE also increased interest rates for a fifth successive time to 1.25%, and even the ECB is poised to raise interest rates in July. However, 10 Year rates weakened before the quarter-end, both as markets factored in increased risk of a global recession, and as widening Italian Government Bond spreads (over German Bonds) reminded markets that many Developed Market Government debt/GDP ratios are well above their levels in the run-up to the Eurozone crisis. Increasing rates will put a severe strain on many Government finances and may constrain central banks' policy choices.

Rising fears of recession : During the second quarter, the market discounted an increased chance of global recession as a result of the high inflation, the sharp increase in interest rates, rising geopolitical uncertainty, and the sharp drop in economic activity in China (Shanghai, the world's busiest port, operated far below capacity during the lockdowns). The bond market flashed recession warning lights as the yield curve between the 10-year Treasury yield and the 2-year yield has become inverted again during the quarter. However, corporate profits have so far remained broadly resilient, and consumer leverage is much lower than in 2007, so markets are currently discounting a relatively mild recession.

Valuations – approaching reasonable levels? : With Global equities over 20% off their peak and credit markets 10-15% down, valuations are now looking more in-line with long term averages. US equities are trading on 16x forward P/E, while most other regions are nearer 10x, and global investment grade indices yield c. 4%. However, bear markets often overreact to the downside, there is little sign of investor "capitulation" in most markets, and it is worth remembering that corporate earnings/defaults have not yet shown much sign of the weakness / peaks (respectively) which would typically occur in a recession.

Equities

Global equities fell sharply in Q2. All tracked indexes suffered significant declines. In addition to the continued Ukraine war, the impacts from slowing economic growth, tightening monetary policy, rising interest rates, and high inflation have all significantly hit the market. Unsurprisingly, the VIX increased by 39.6% in Q2, from 20.6 to 28.7.

US equities, measured by the S&P 500, fell sharply over the quarter by -16.1% and the NASDAQ fell by 22.4% QoQ in response to the more aggressive path of interest rate hikes, with the Fed raising rates by 0.5% in May and 0.75% in June, in an effort to slow inflation, reaching a target range of between 1.50% and 1.75%. This is the greatest rate increase since 1994. The Consumer discretionary sector slumped -26.3% QoQ due to rising consumer concerns over the effect of inflation on households. All sectors experienced declines, although consumer staples and utilities were comparatively resilient.

UK equities continued to be impacted by the war in Ukraine, and the BoE raised the base rate to 1.00% in May, with a further rise to 1.25% in June - the highest level for 13 years. The UK market was more downbeat with both the FTSE 100 (-3.8%) and FTSE All-Share (-5.1%) falling over the quarter. Large-cap companies held up relatively well as traditionally defensive areas of the market outperformed, including the telecoms, healthcare and consumer staples sectors. Small and mid-caps (SMIDs) suffered significant valuation declines as the growth companies in general have suffered against the backdrop of rising rates.

The Euro Stoxx 50 declined by 9.4% over the quarter. The ECB's President signalled the first rate hike was likely to come in July 2022, and will pave the way for the end of negative rates. Concerns over the higher cost of living and the possibility of recession saw the European Commission's consumer confidence reading fall to -23.6 in June, the lowest level since the early stages of the pandemic in April 2020.

Japanese equities registered a decline of 5.0% from the end of March. While the latest annual consumer inflation figure (for May) rose above the Bank of Japan's (BoJ) target of 2%, it remained very low by international standards. Japan's equity market in the quarter was primarily driven by news flow on monetary policy and currency markets, together with concerns over the growing possibility of a US recession. The yen weakened sharply against the US dollar, breaching the 130 level for the first time in 20 years.

Emerging market (EM) equities aligned with the global equities markets and delivered a negative 11.4% over the quarter, with US dollar strength a key headwind.

Global Equity Markets Performance

Source: Bloomberg. All in local currency.
FTSE All-Share Index (Ticker: ASX Index) S&P 500 Index (Ticker: SPX Index) STOXX Europe 600 (Ticker: SXXP Index)
Nikkei 225 Index (Ticker: NKY Index) MSCI World Index (Ticker: MXWO Index) MSCI Emerging Markets (Ticker: MXEF Index)

Fixed Income

Global bonds continued to sell off sharply in Q2 sending yields higher amid elevated inflation and rising interest rates. Global bonds rallied into quarter-end amid rising growth concerns, slightly curtailing the negative returns. Within corporate bonds, high-yield credit was hardest hit, with mounting concerns over the economic outlook. Emerging market bonds also suffered similar declines.

The US 10-year bond yield rose from 2.35% to 2.98% and the 2-year yield from 2.33% to 2.93%. Treasuries provided a total Q2 return of -3.8%. The unemployment rate also edged down, bolstering the case for the Fed to speed up the tightening of monetary policy in the fight against inflation. The Michigan Consumer Sentiment index declined to 50.0 in June, a record low in its 70-year history, going back to 1952.

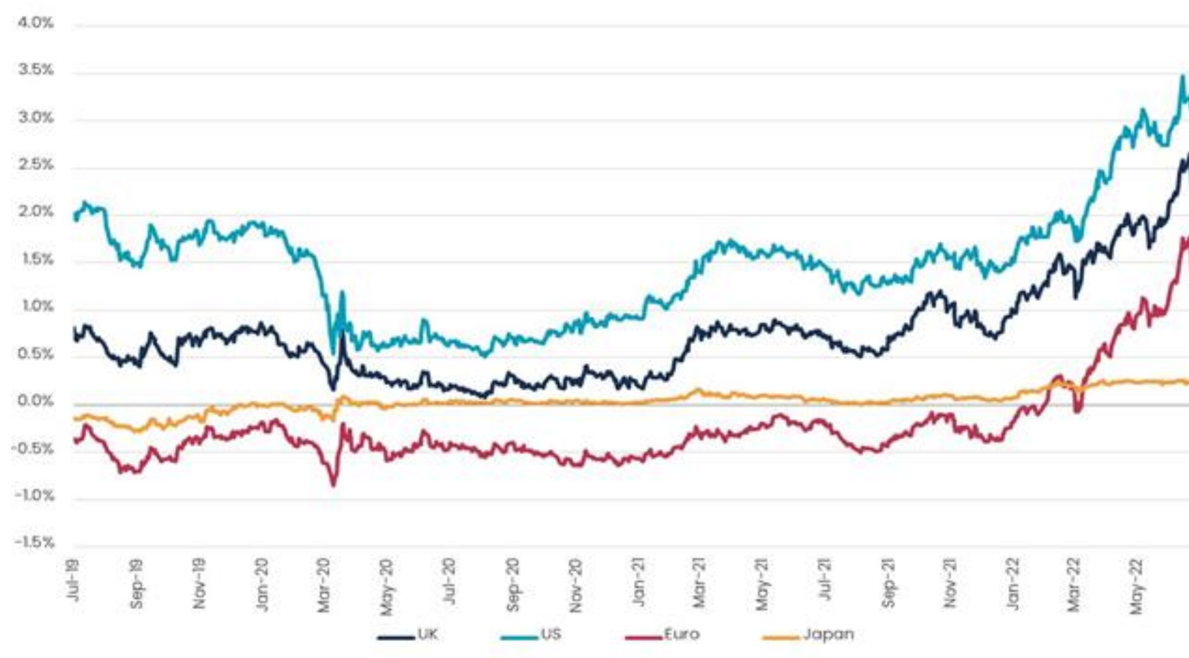
The UK 10-year Gilt yield increased from 1.61% to 2.23% and 2-year yield rose from 1.36% to 1.88%. This occurred despite concerns around the UK economic outlook and particularly the cost-of-living pressures on households which is causing a significant purchasing power squeeze. Unemployment remained low in the UK, but consumer confidence has hit a record low with the negative real wage growth.

European government bonds had a total return of -7.3% in Q2. The selloff in European government bonds gathered momentum as traders priced in a more aggressive pace of tightening from the European Central Bank amid mounting concerns over the deteriorating inflation outlook worldwide. Expectations are for the ECB to conclude its net asset purchases under its asset purchase program in Q3. Once complete, the ECB is expected to begin hiking interest rates, following the same path as the BoE and Fed. The German 10-

year yield increased from 0.55% to 1.37% with Italy's up from 2.04% to 3.39%, hitting as high as 4.27% in June.

US high-yield bonds aligned with the global bonds market, returning -9.8%, with -10.7% performance for European high-yield bonds. Investment-grade bonds returned -7.4% in the UK, -7.6% in Europe and -7.3% in the US.

Government Bond Yields



Source Bloomberg. US Generic Govt 10 Year Yield (Ticker: USGG10YR Index); UK Govt Bonds 10 Year Note Generic Bid Yield (Ticker: GUKG10 Index); Euro Generic Govt Bond 10 Year (Ticker: GECU10YR Index).

Currencies

In Q2, sterling weakened marginally against the euro (-2.0%) and sharply against the US dollar (-7.3%) as recession fears, rising living costs, public sector strikes, and inflation uncertainty all undermined confidence in the UK's economic outlook and the strength of its currency. Overall, the US dollar (Dollar index +6.5%) had a strong Q2, as investors preferred the US over Europe amid uncertainty among ECB policy makers growth outlook. Notably it also strengthened against the Japanese yen by 11.6%, again reflecting the divergence in policy between the Fed and the BoJ.

Commodities

Energy prices fluctuated in Q2 2022, with the continuation of the Russia-Ukraine conflict putting further pressure on prices from Q1. Increases in price occurred due to tight supply reflecting uncertainties about further sanctions related to Russia's invasion. Precious metals also surged, with investors seeking safe-haven assets – which saw gold prices rise.

US natural gas fell over the quarter influenced by rising domestic inventories. The recent explosion at one of the biggest US liquefied natural gas export terminals in Texas - Freeport LNG - means an additional 2 Bcf/d of natural gas remains in the US market despite soaring international demand. This is, however, easing pressure on domestic US prices Freeport LNG

said it does not expect the terminal to return to full operations until late 2022. Natural gas prices in Europe rose to the highest level in almost four months due to planned strikes in Norway threatening to further tighten a market, which is already suffering from Russia's supply cuts. Prices in Europe continued to rise to new highs (Dutch TTF Gas Futures +10% to above 160 euros a megawatt-hour) as Germany entered the alert phase of its emergency plan in response to reduced Russian flows and liquefied natural gas (LNG) imports. This follows the suspension of certification of the Nord Stream 2 pipeline. The price of LNG has gained 45% YTD, through strong overseas demand, especially from Europe as it slowly and reluctantly seeks to eradicate Russia as a supplier.

Brent crude oil experienced increasing prices in Q2 (+6.4%). Fluctuations in price stemmed from the fear of a world recession. Oil came close to an all-time high of $130 in Q1 due to Russia's invasion of Ukraine exacerbating tight supplies following the recent recovery of demand shortly after the Covid pandemic. After reaching a 10-week high at more than $125/b in Q2, Brent crude futures have fallen as concerns over a global economic slowdown trumped the impact of Western sanctions on Russian oil supplies. Brent closed the quarter at $115 a barrel.

Gold and Copper prices fell 7.3% and 21.8% respectively in Q2, as fears of a global recession continued to hang over the market. The risk of recession in the US is growing as the Fed tightens monetary policy amid rising inflation and Europe's economic outlook darkens due to soaring gas prices. With the costs of holding Copper rising through Fed tightening and gold imports from Russia being banned, we may see further fluctuation into Q3. The Generic 1st Gold index and Generic 1st Copper index closed Q2 at 1,807 USD/toz and 371 USD/lb, respectively.

Property

Global listed property had a weak quarter, with the FTSE EPRA Nareit Global Index declining -9.8% in Q2.

Property prices declined for the first time in two years with the Green Street Commercial Property Price Index down by 1.2% in Q2. The all-property index is now down 1.0% since the start of the year.

The Nationwide House Price Index in the UK increased 10.7% year on year in Q2 2022 which was, however, below market forecasts of 10.8%. Expectations are pointing towards a slowdown, with the number of mortgages approved for house purchases falling back towards pre-pandemic. The housing market has, to date, retained momentum despite the pressures of rising inflation.

Key Indicators at a Glance

Market Indicators

Index (Local Currency)		Q2 2022	Q1 2022	Q2	YTD
Equities			**Index Value**	**Total Return**	
UK Large-Cap Equities	FTSE 100	7,169	7,516	-3.8%	-1.0%
UK All-Cap Equities	FTSE All-Share	3,941	4,188	-5.1%	-4.6%
US Equities	S&P 500	3,785	4,530	-16.1%	-20.0%
European Equities	EURO STOXX 50 Price EUR	3,455	3,903	-9.4%	-17.4%
Japanese Equities	Nikkei 225	26,393	27,821	-5.0%	-8.9%
EM Equities	MSCI Emerging Markets	1,001	1,142	-11.4%	-17.6%
Global Equities	MSCI World	2,546	3,053	-16.1%	-20.3%
Government Bonds					
UK Gilts	FTSE Actuaries UK Gilts TR All Socks	3,405	3,678	-7.4%	-14.1%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	4,633	5,402	-14.2%	-24.8%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	4,694	5,693	-17.5%	-22.1%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	5,883	7,859	-25.1%	-31.6%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	224	242	-7.3%	-12.2%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,271	2,361	-3.8%	-9.1%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core Index	120	131	-8.3%	-13.0%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	779	879	-11.4%	-20.3%
Bond Indices					
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	350	378	-7.4%	-13.4%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	220	238	-7.6%	-12.5%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	375	420	-10.7%	-14.3%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	3,017		-7.3%	-14.4%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,112	2,342	-9.8%	-14.2%
Commodities					
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	115	108	6.4%	47.6%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	5.42	5.64	-3.9%	45.4%
Gold	Generic 1st Gold, USD/toz	1,807	1,949	-7.3%	-1.2%
Copper	Generic 1st Copper, USD/lb	371	475	-21.8%	-16.8%
Currencies					
GBP/EUR	GBPEUR Exchange Rate	1.16	1.19	-2.0%	-2.3%
GBP/USD	GBPUSD Exchange Rate	1.22	1.31	-7.3%	-10.0%
EUR/USD	EURUSD Exchange Rate	1.05	1.11	-5.4%	-7.8%
USD/JPY	USDJPY Exchange Rate	135.67	121.56	11.6%	17.9%
Dollar Index	Dollar Index Spot	104.69	98.31	6.5%	9.4%
USD/CNY	USDCNY Exchange Rate	6.70	6.34	5.7%	5.4%
Alternatives					
Infrastructure	S&P Global Infrastructure Index	2,692	2,944	-7.4%	-0.5%
Private Equity	S&P Listed Private Equity Index	162	208	-21.0%	-28.5%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	17,703	18,083	-1.9%	-2.9%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,741	4,148	-9.8%	-10.3%
Volatility				**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	29	21	39.6%	66.7%

* All return figures quoted are total return, calculated with gross dividends/income reinvested.
Source: Bloomberg

Local Authority Fund Statistics

2021/22

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Average	52	56	18	17	17	14	9	8	2	2	2	2
Range												
Top Quartile	60	64	22	22	17	15	10	9	2	3	9	9
Median	54	57	18	18	11	8	9	8	1	1	0	0
Bottom Quartile	46	49	13	12	6	4	7	3	0	0	0	0
Oxfordshire Pension Fund	53	58	20	20	13	10	8	6	2	1	5	5

TOTAL FUND PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	8.6		8.3		7.1		8.9		7.3		8.5	
Range of Results												
Upper Quartile	10.0		9.3		7.7		9.2		7.5		8.7	
Median	8.0		8.6		7.0		8.8		7.1		8.4	
Lower Quartile	6.0		7.6		6.5		8.3		6.9		8.2	
Oxfordshire Pension Fund	10.3	20	8.7	44	7.4	33	9.1	27	7.0	67	8.2	72

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	7.6		10.2		8.4		10.6		8.0		9.2	
Range of Results												
Top Quartile	10.2		12.1		9.9		11.7		8.4		9.6	
Median	8.2		11.1		8.9		10.7		7.9		9.2	
Bottom Quartile	5.5		9.4		8.1		10.0		7.7		8.9	
Oxfordshire Pension Fund	8.5	44	9.2	81	7.8	81	9.9	78				

BOND /CREDIT PERORMANCE

FundName	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	-0.3		2.6		2.5		4.5		5.7		6.9	
Range of Results												
Top Quartile	1.1		2.8		2.8		5.2		6.1		7.2	
Median	-1.1		2.4		2.4		4.4		5.6		6.7	
Bottom Quartile	-2.8		1.9		1.8		3.7		4.9		6.4	
Oxfordshire Pension Fund	0.8	32	3.2	14	3.0	19	5.1	28	6.1	20	7.2	21

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	19.0		11.0		9.8		10.0	
Range of Results								
Top Quartile	24.4		13.1		12.0		11.8	
Median	16.1		9.9		8.6		9.1	
Bottom Quartile	10.5		7.5		6.7		6.9	
Oxfordshire Pension Fund	36.6	7	21.6	6	16.7	5	16.6	3

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	17.9		6.3		6.8		8.0		7.0		8.2	
Range of Results												
Top Quartile	21.0		7.7		7.7		8.5		7.2		8.6	
Median	18.8		6.5		6.9		7.8		6.7		7.9	
Bottom Quartile	15.3		5.5		6.3		6.8		5.8		7.2	
Oxfordshire Pension Fund	18.8	50	6.2	61	6.9	52	7.8	49	5.5	83	6.9	89

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank
Universe Average	4.7		5.1		3.5	
Range of Results						
Top Quartile	7.3		6.6		4.4	
Median	4.2		4.3		3.3	
Bottom Quartile	3.1		3.6		2.8	
Oxfordshire Pension Fund	3.7	64	3.9	67	3.4	39

These tables are intended solely for the use of the participating funds. Whilst individual fund returns and rankings may be used, the tables in their entirety should not be copied or distributed beyond these funds.

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Market thoughts

Thinking from a different perspective

At this time of year I attempt to take a view on issues that affect us from a different angle from normal, mainly as a result of talking to local people wherever we have been on holiday. Quite often my preconceived ideas get turned on their head, or as was the case last year studying the recovering hospitality industry in different areas of the UK and finding similar problems but with differing reasons. You will recall that the hospitality industry was facing a perfect storm, with post Brexit issues mixing with Covid restrictions and supply chain challenges, while at the same time trying to take some benefit from the massive lift to local tourism with foreign travel still not realistically possible for most people. While some are relatively short term issues, others will undoubtedly cause longer term change.

Our travels this year started off just before Easter in Swanage. Over the years we have been frequent visitors to the Isle of Purbeck, so we thought we had a good grasp of most matters there. My wife and I have an aspiration to eventually "retire" to Swanage. The climate is warmer than Cheshire, the sailing is good, it has a lovely heritage railway and the pubs are quite good. Ideal. Except the property prices. It was almost a case of we'd think of a price and then it would be double that. The owner of the B&B that we were staying at confided with us that they had bought it only a few years ago, but were putting it on the market as they felt that the current prices wouldn't hold and they were struggling to get staff anyway. We have continued to keep an eye on prices there, and although still high, actual transactions seem to be few and far between.

We moved on from Swanage to Stratton-on-the-Fosse, near Bath. This was a little pub with a few bedrooms, run solely by an elderly couple, no other staff. We'd stayed there before and enjoyed the quirkiness of it. We arrived to discover that we would be their last guests. Post Covid, their business had fallen considerably. They used to do a very busy Sunday lunch buffet. After reopening, most of their regulars didn't return, being concerned about the ongoing health risks. This is something we have seen frequently on our travels, many small establishments couldn't reopen due to spacing restrictions initially, and if and when they did reopen all the other issues pushed them out of business. The Kings Arms was heaving on their last night, with the local Folk band playing, so at least they got a great send off!

A small diversion. My wife and daughter had a girly week away back in June to Port de Soller in Majorca. Again a place we know well, so comparisons can be made. Rather surprisingly,

because there isn't really a Brexit factor to consider, the local hospitality industry is suffering in a similar way to the UK. Restaurants and bars were only opening for limited hours and closed on some days. Others, including the one night club, hadn't reopened at all. Their normal source of seasonal staff is mainland Spain, and many simply had not wished to return post Covid. So we aren't alone.

In early August we had a week in the Isle of Man. Despite being so easy to get to from Cheshire, this was the first visit there for my wife and son, for me it was my first trip there for over 25 years. The tourism industry has shrunk massively there, as finance related commerce has replaced disillusioned soggy visitors! By contrast the weather for our visit was more like the Mediterranean, but again staff shortages were widespread. Brewers are still allowed to own pubs there, and the main brewer, Okells, has an extensive pub estate. However, despite this being what passes as peak season there, some were open for wet sales only as they had no kitchen staff, those that were offering food had restricted times and very simplified menus. Even the hotel next to our apartment was only offering bar food on some nights, due to a lack of a chef for the restaurant. This is one of the largest and best hotels in Douglas. Like the Channel Islands, the Isle of Man sets their own immigration rules which is open to casual labour, so clearly pay is an issue here as well. The manager of one of the wet only pubs told us that she is paid £9.50 an hour, has been working long hours without support and was going to move to another pub closer to her home on the island, thus saving some travel expense.

So what's the point of all of this? Quite simply the hospitality industry remains in crisis and will never return to the way that it was. With high employment, why suffer low pay, long and unsociable hours and frankly rude customers on a regular basis? Ultimately the "offer" has to be made more attractive, principally much higher pay. This is were my thesis widens out. This country, and others, has had the benefit of comparitively cheap labour for many years, working in many different spheres which are still labour intensive. That includes transport and agriculture, alongside hospitality and leisure. Those days of cheap labour are effectively over, and the adjustment to a proper living wage will inevitably be inflationary over a considerable period of time. This sits alongside my concern that inflationary issues created by Putin will sadly be with us for some time to come, such that although headline inflation may well fall back from current levels as we work through into next year, we are not going back to 2% anytime soon. The genie is out of the bottle, and staying out.

As a small postscript, in the two weeks since writing this report the concerns over the rapidly increasing cost of living have grown considerably. This will clearly be of particular concern to the active pensioners of the Fund, as although their pensions enjoy a CPI related increase each year this will not be sufficient to compensate for the increases that we are all seeing in energy and food prices. The implications of this will be included in my verbal comments at the Pension Committee meeting.

Recommendations

1. That members and relevant officers attend the Brunel Investor Day on Wednesday 28 September. This will be in person and also available by remote access.
2. Depending on the feedback from this, that Brunel are asked to produce a training programme for Fund elected members and others that will provide information about the asset classes that they manage and their processes.
3. That information available to members from Brunel should include a table that specifies who the underlying managers for active mandates are and their performance against benchmark and performance targets.
4. That Brunel be asked to support the forthcoming Strategic Asset Allocation review, to ensure that the Fund’s developing requirements can be accommodated.