Isle of Wight Council Pension Fund

Q4 2021 Investment Monitoring Report

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Market Background

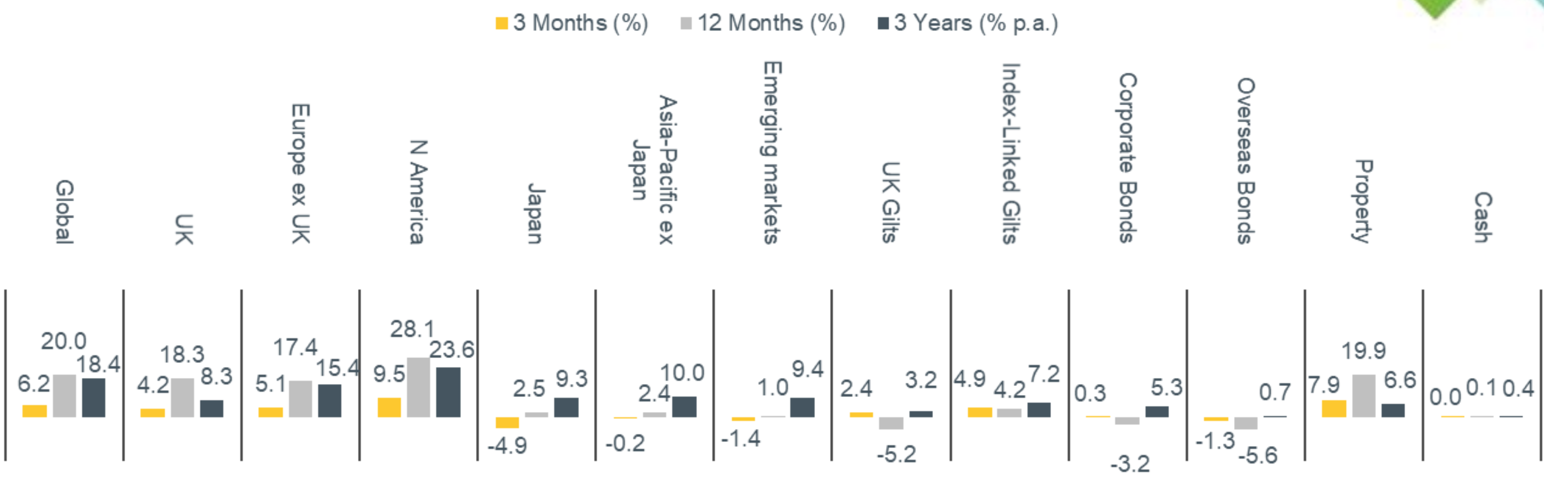
Economic momentum has slowed as rising COVID cases have led to a modest re-imposition of restrictions and increasing social distancing. This is expected to weigh on growth in Q4 2021 and Q1 2022, but we still anticipate above-trend growth in 2022.

There are signs that the strain on supply chains is easing, though the overall rate of price increases remains high. UK headline CPI inflation rose to 5.1% year-on-year in November whilst the equivalent US and eurozone measures rose to 6.8% and 4.9% respectively. In response, the Federal Open Markets Committee (FOMC) announced plans to accelerate the tapering of asset purchases, with the median FOMC member forecasting three rate hikes next year. The Bank of England raised rates to 0.25% p.a., with further rate hikes expected in 2022.

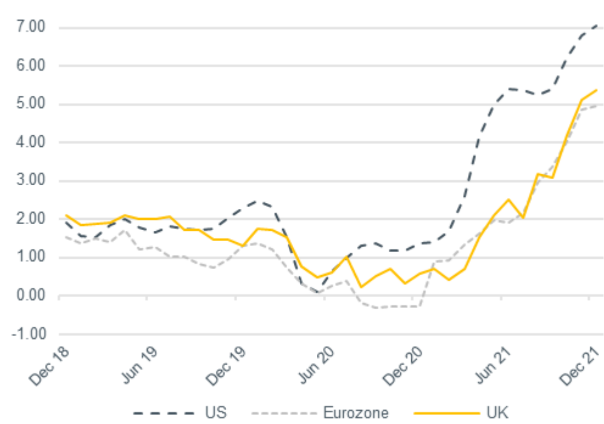
Trade-weighted sterling rose 1.7% through the quarter as markets adjusted for the earlier than expected rate rises. The US dollar rose 0.6% in trade-weighted terms, perhaps reflecting both safe haven appeal and slightly more hawkish messaging from the Federal Reserve.

US and UK bond yield curves flattened with short-term yields rising to reflect expectations of further interest rate hikes. Long-term yields remained largely unchanged. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, ended the quarter a little higher at 3.9% p.a. whilst longer term implied inflation fell. US 10-year implied inflation rose 0.2% p.a. to 2.6% p.a

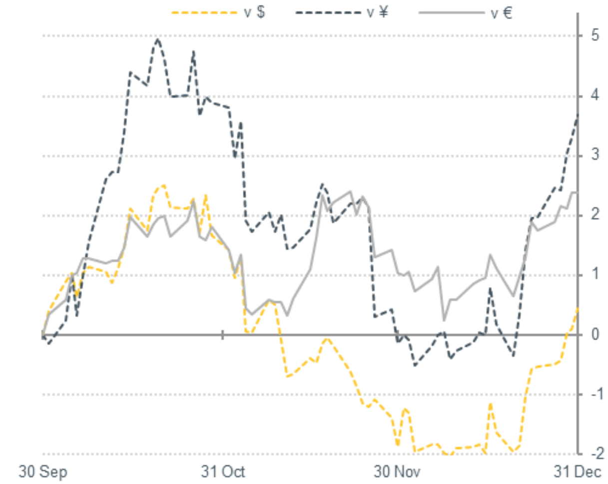
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day.

Market Background

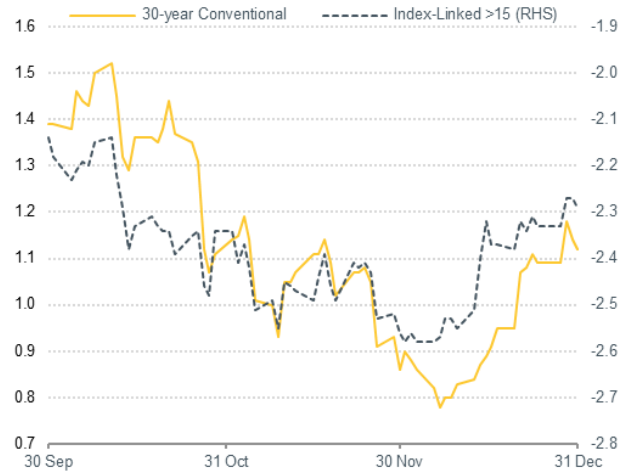
Global investment-grade spreads increased by 0.1% p.a. to 1.0% p.a., whilst speculative-grade spreads ended the quarter broadly in line with end-September levels at 3.7% p.a

Despite falling in November over Omicron variant concerns, global equities produced a total return of 7.0% in Q4, propelled higher by strong earnings growth. Sterling strength weighed on returns to unhedged UK investors delivering a 6.2% return in sterling terms. All sectors produced positive returns except telecoms. Outside telecoms, energy and financials were the main underperformers, weighed on by demand expectations and flatter yield curves, respectively. Technology was the notable outperformer, bolstered by strong earnings releases and the prospect of further lockdowns spurring demand for tech.

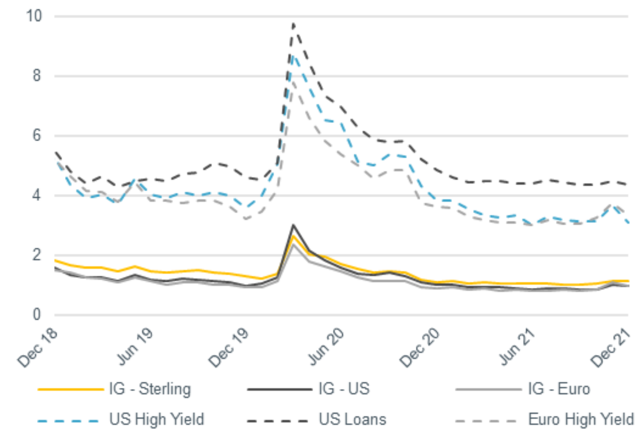
North America posted double digit returns on the back of tech outperformance. Japan, which reintroduced strict border restrictions shortly after the Omicron variant was made public, is at the bottom of the regional performance rankings over the quarter. Asian and emerging markets also continued their underperformance versus developed markets.

UK Monthly Property capital value index rose 10.6% over the 12 months to end December due to a buoyant industrial sector, where capital values have risen 26.7%. Retail capital values have risen by 4.3% over 12 months. There has been a flattening of the declines experienced in the office sector, though over the 12-month period values have fallen by 0.7%. Total return on the index, including income, was 16.5% in the 12 months to end November.

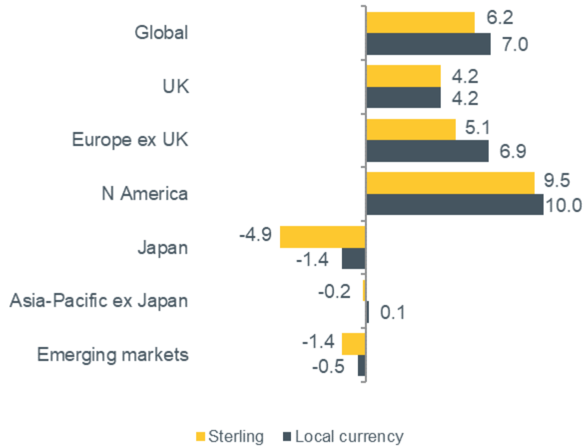
Gilt yields chart (% p.a.)



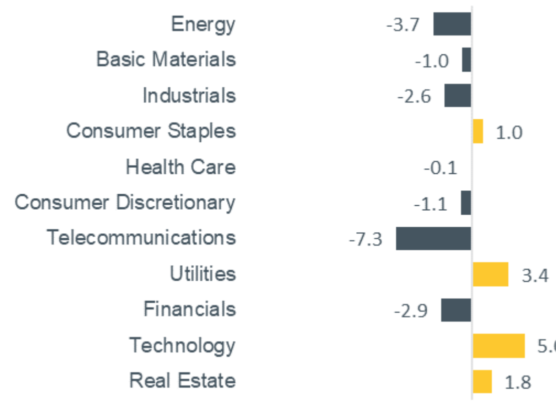
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

The page summarises our broad views on the outlook for various markets. The ratings used are Positive, Attractive, Neutral, Cautious and Negative.

The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion. In practice, they need to be interpreted in the context of the strategic framework within which individual schemes are managed.

Summary of Medium-term Capital Market Views

	September 2021	December 2021	Comment
Index-linked gilts	Cautious	Cautious	Given elevated inflation forecasts, near-term implied inflation is not unreasonable relative to fundamentals. Between 10 and 25 years, implied inflation looks very expensive, where levels of implied inflation could be more impacted by RPI reform. Beyond 25 years, inflation pricing does not look particularly demanding.
Conventional gilts	Neutral to Cautious	Neutral to Cautious	The path of cash rates currently implied by instantaneous forward nominal yields, rising to 1.6% p.a. over the next 10 to 15 years, does not look unreasonable, though the improvement in the UK labour market and above forecast inflation opens up the possibility of a more rapid pace of near-term rate increases. Implied cash rates falling beyond 15 years makes us wary of longer-term forward yields.
Sterling non-government bonds	Cautious	Cautious	Current valuations warrant caution as relatively robust fundamentals are already reflected in spreads whilst future downside risks remain. Not only do current inflationary pressures have scope to increase input costs and squeeze margins, inflation erodes the real value of nominal fixed-interest coupons and long-duration, low spread, investment-grade credit capital values are susceptible to potential rate rises to combat inflation. Our preference is for low duration alternatives.
Private Debt	Neutral to Cautious	Neutral to Cautious	Fundamentals have improved post-COVID, but further lockdowns may prove a further headwind to the struggling retail and travel sectors. Valuations remain neutral, relative to traded loan spreads, but loan spreads well below long-term median levels still gives us cause for caution. That said, we are less cautious on private loan markets versus high yield, in line with our preference for traded loans over high yield bonds in liquid speculative-grade markets.
Equities	Neutral	Neutral to Cautious	Our view on equities is underpinned by above trend growth, which should lend continued support to earnings growth, and negative real interest rates, which are expected to persist for some time even as interest rates gradually rise. Valuations remain high, particularly in the US, with multiples elevated versus historical averages.
Cash Strategies	Neutral	Neutral	While interest rates may be as close to zero as they can get, when focused on risk adjusted returns, this feels like a sensible time to hold more cash than usual, that can be deployed into buying opportunities. Nevertheless, investors may want to look for ways to increase cash returns without taking duration risk. This may increase the attraction of short-duration credit and absolute return bond funds as near-cash alternatives.

Source: DataStream

Asset allocation

The Fund's total assets increased by c£30.9m over the quarter.

Against a backdrop of easing economic momentum and increased volatility following economic concerns surrounding the Omicron variant, global equity markets still delivered positive returns over Q4 2021.

Strong earnings growth drove performance, leading to the outperformance in the technology sector. Due to concerns over economic slowdown, cyclical sectors lagged over the quarter.

The Fund remains slightly overweight to equities as the new Income allocations continue to drawdown capital over time.

Key Actions

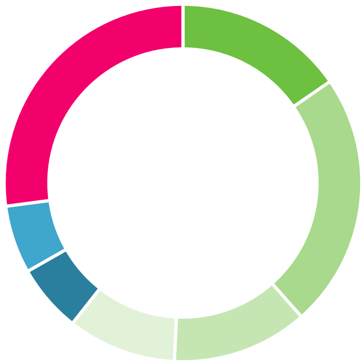
Two capital calls for GSAM took place over Q4 2021, c.£0.9m in October and c.£3.8m in November.

A new investment of £145m in the UBS Global Aware fund was made on 8 December 2021. This was funded by a reduction in the Majedie and Newton mandates (c.5% and c.13.75%, respectively).

Asset Allocation

Manager	Valuation (£m) Q3 2021	Valuation (£m) Q4 2021	Actual Proportion	Benchmark	Relative
Majedie UK Equity Fund	147.6	107.3	14.1%	12.5%	1.6%
Newton Global Equity Fund	268.3	183.5	24.1%	18.75%	5.3%
Baillie Gifford Diversified Growth Fund	116.5	120.9	15.8%	10.0%	5.8%
UBS Climate Aware World Equity Fund	-	143.1	18.8%	18.75%	0.0%
Total Growth	**532.3**	**554.8**	**72.7%**	**60.0%**	**12.7%**
Schroders Property Fund	39.7	41.8	5.5%	8.0%	-2.5%
GSAM Broad Street Loan Partners IV Fund	16.1	20.5	2.7%	5.0%	-2.3%
Partners Infrastructure	3.4	4.1	0.5%	5.0%	-4.5%
Total Income	**59.2**	**66.3**	**8.7%**	**18.0%**	**-9.3%**
Schroders Fixed Income Fund	140.4	141.7	18.6%	22.0%	-3.4%
Total Protection	**140.4**	**141.7**	**18.6%**	**22.0%**	**-3.4%**
Total Scheme	**731.9**	**762.8**	**100.0%**	**100.0%**	

Asset class exposures



- Majedie UK Equity Fund 14%
- Newton Global Equity Fund 24%
- Baillie Gifford Diversified Growth Fund 16%
- UBS Climate Aware World Equity Fund 19%
- Schroders Property Fund 5%
- GSAM Broad Street Loan Partners IV Fund 3%
- Partners Infrastructure 1%
- Schroders Fixed Income Fund 19%

Source: Investment Managers. Partners valuation used for Q4 is at 30 November 2021.

Over Q4 2021, the total Fund's performance was positive on both absolute and relative terms. The Fund returned 4.5% over the quarter against its benchmark of 3.8%

Over the longer term, the Fund remains ahead of its 12-month benchmark however falls short over the 3-year period by 1.6%.

The Newton Global Equity Fund provided the highest absolute and relative return this quarter due to the fund's weighting in outperforming tech stocks.

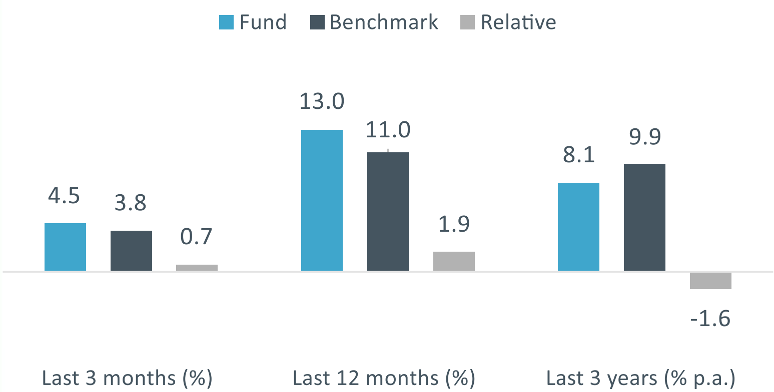
Conversely, Majedie and both of the Schroders mandates were negative in relative terms. The Schroders property mandate had the greatest underperformance as a result of a low allocation to industrial rentals which outperformed.

All of the fund's mandates produced positive absolute returns this quarter with the exception of the newly introduced UBS mandate. UBS 3 months performance is from inception of the fund on 8 December 2021, and performed in line with the benchmark. The total performance for the Fund has been manually adjusted accordingly.

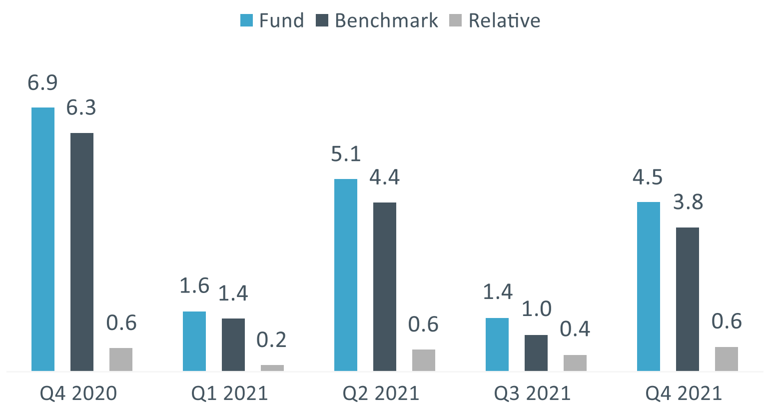
Manager performance (gross of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
Newton Global Equity Fund	6.9	6.2	**0.7**	20.9	19.6	**1.1**	19.1	17.9	**1.0**
Majedie UK Equity Fund	3.7	4.2	**-0.5**	19.1	18.3	**0.6**	8.6	8.4	**0.2**
Baillie Gifford Diversified Growth Fund	3.9	0.9	**3.0**	9.8	3.6	**6.0**	8.2	3.9	**4.2**
UBS Climate Aware World Equity Fund	-1.2	-1.2	**0.0**	-	-	**-**	-	-	**-**
Income									
Schroders Property Fund	5.2	6.2	**-0.9**	17.0	17.8	**-0.8**	6.3	5.9	**0.4**
Protection									
Schroders Fixed Income Fund	1.0	1.4	**-0.4**	-3.4	-4.1	**0.8**	5.7	4.0	**1.6**
Total	4.5	3.8	**0.7**	13.0	11.0	**1.9**	8.1	9.9	**-1.6**

Fund performance vs benchmark/target



Historical quarterly performance summary



Source: Fund performance and valuation data provided by Investment Managers and is gross of fees. Please note UBS Climate Aware fund performance is from inception date – 8 December 2021. Benchmark performance provided by Investment Managers and DataStream.

This page includes details of the current investment manager ratings together with any relevant manager business updates.

This page also shows RI ratings for the current investment managers.

Both of these ratings are further explained in the Appendix on page 13.

Manager ratings

Mandate	Hymans Rating	RI
Newton Global Equity Fund	Suitable	Good
Majedie UK Equity Fund	Suitable	Adequate
Schroders Fixed Income Fund	Positive	Good
Schroders Property Fund	Positive	Good
Baillie Gifford Diversified Growth Fund	Preferred	Good
GSAM Broad Street Loan Partners IV Fund	Preferred	Adequate
Partners Infrastructure	Preferred	Good
UBS Climate Aware World Equity Fund	Preferred	Good

Schroders Fixed Income business update

- Johanna Kyrklund and Rory Bateman have been promoted to Co-Heads of Investment, alongside their existing roles as Group Chief Investment Officer and Global Head of Multi-Asset and Global Head of Equities, respectively. Together they will be responsible for the management, oversight and development of Schroders' investment platform.

- Andrew Howard, Global Head of Sustainable Investment, has joined the Group Management Committee in-line with Schroders' objective to embed sustainability at its core.

Majedie business update

- Over the quarter Majedie announced that they are being acquired by Liontrust an asset manager. The deal is estimated to complete in April 2022 and upon this event the team will change their name to the Liontrust Global Fundamental team.

- We continue to rate Majedie as 'Suitable'.

Newton business update

- Newton announced that Charles French, previously head of the global equity opportunities hub has resigned and will be leaving the firm in June 2022. Paul Markham will now lead the global opportunities team. Paul has been with Newton for 24 years and involved in this strategy since 2011.

- In addition, Newton also announced that Yuko Takano, co-portfolio manager on the Global Sustainable Equity team, is also leaving the firm to take up a new opportunity. The Global Sustainable Equity team will be co-managed by Nick Pope and Paul Markham.

- The key personnel changes at Newton have been on-going over the last few years and continue to be so with the announcement this week of Charles French and Yuko Takano both leaving the firm. This is disappointing and increases our concerns on the ability of Newton to retain talent and key investment personnel.

- While we rate the Global equity strategy as 'Suitable', we will arrange a manager review meeting with Paul Markham the newly appointed head of the global equity to discuss the changes including those affecting the global sustainable equity strategy and will provide a view following that. For now, Newton has reassured us that these changes will not impact on the investment process of the global equity strategies.

Source: Investment Managers

Majedie UK Equity

Over Q4 2021, the Majedie UK Equity fund returned 3.7% in absolute terms, falling short of its FTSE All Share benchmark by 0.5%. Over the longer term, the fund marginally exceeded its 12-month and 3-year target by 0.6% and 0.2%, respectively.

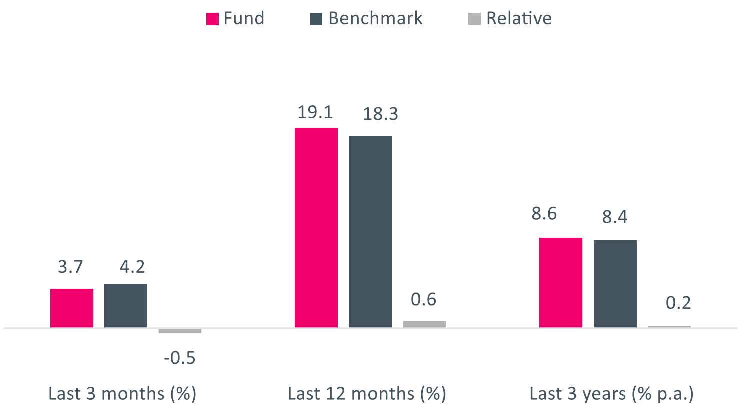
The UK equity market rose over the quarter as news surrounding the Omicron variant appeared less virulent than initially feared. However, cyclical sectors such as financials, energy and industrials struggled to recover from earlier losses. As a result, the fund's overweight position to industrials detracted from performance.

From a stock perspective, holdings in EasyJet detracted from performance as the Omicron variant eased travel momentum. Holdings in Boohoo and QinetiQ were also key detractors.

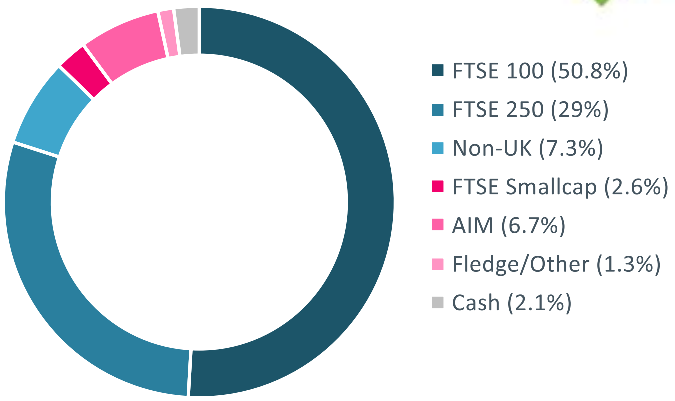
Leading positive performance this quarter was the utilities sector which outperformed amidst a dimming of the economic outlook. Stock selection within the fund was a key factor, with the two utilities holdings, Centrica and National Grid, boosting returns.

Additionally, the fund's underweight positioning to financials and energy positively impacted performance.

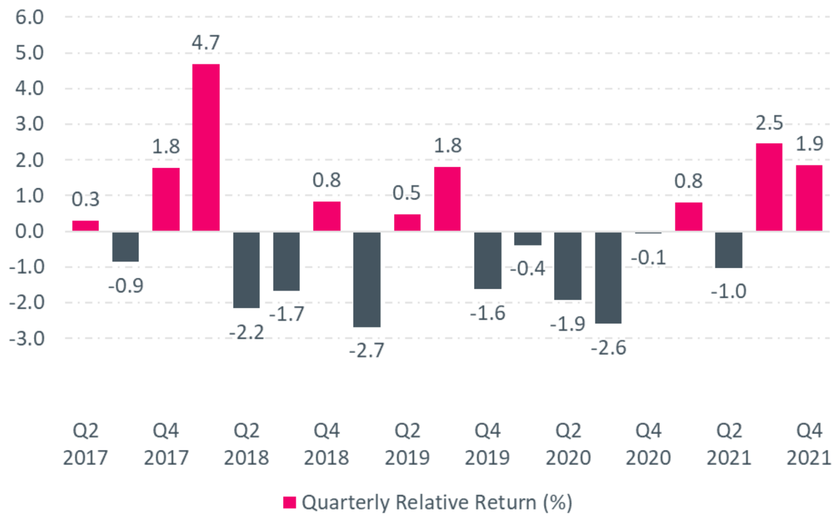
Performance summary



Asset allocation



Performance summary (Gross of Fees)



Source: Data and fund performance provided by Majedie and Link Group and is gross of fees.

Newton Global Equity

The Newton Global Equity Fund outperformed its MSCI ACWI benchmark of 6.2% over the quarter, returning 6.9% in absolute terms. The fund continues to outperform its performance target over the longer term.

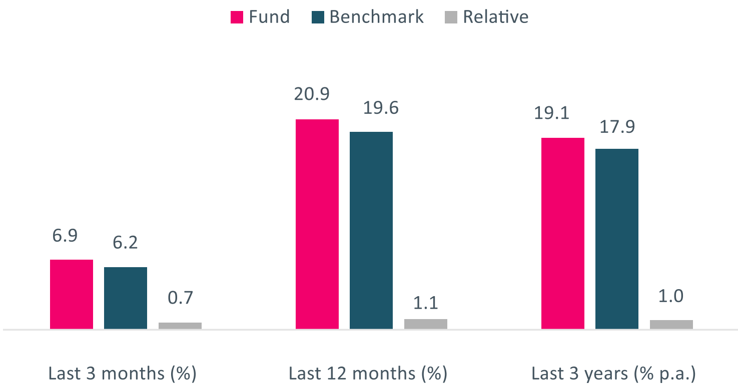
Despite the initial concerns surrounding the Omicron variant, global equity markets rose over the quarter. Driving positive performance was the technology sector with strong earnings growth boosting performance.

As a result, the mandate’s holdings in stocks, such as Apple and Microsoft, were key contributors to performance.

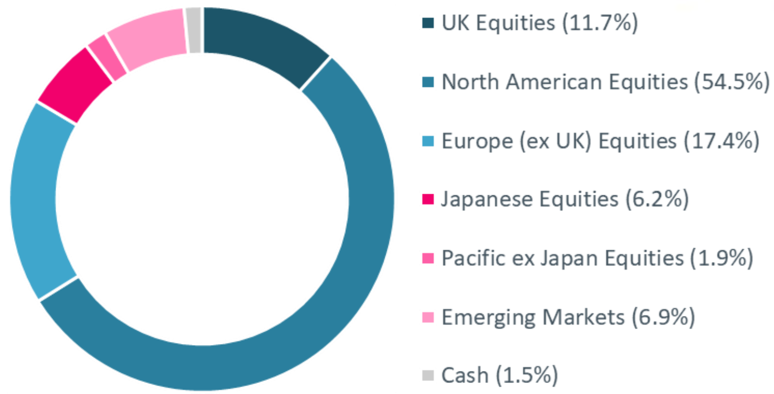
From a regional perspective, North America led relative performance due to the significant weighting to the outperforming technology sector, coupled with the passing of more fiscal stimulus in the US. Japanese equities suffered due to tightening of restrictions, however, this did not negatively affect the fund.

Emerging markets continued to underperform over Q4 2021 due to ongoing fears of a slowdown in Chinese markets and increased political intervention. As a result, Asia Pacific (ex-Japan) was the main regional detractor for the mandate given the economic relationship held with China.

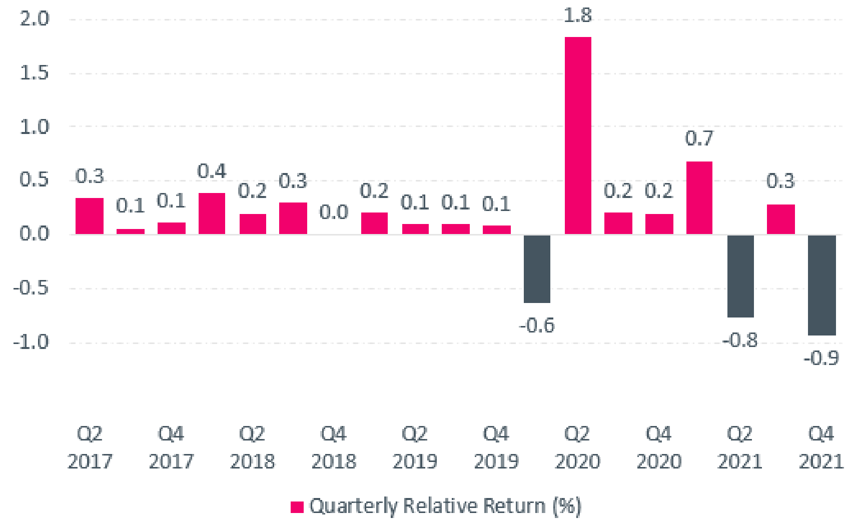
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Newton and Link Group and is gross of fees.

Baillie Gifford Diversified Growth

Over Q4 2021, the Baillie Gifford Diversified Growth fund returned 3.9%, outperforming its benchmark by 3%. The fund remains ahead of its 12-month and 3-year targets by 6.0% and 4.2%, respectively.

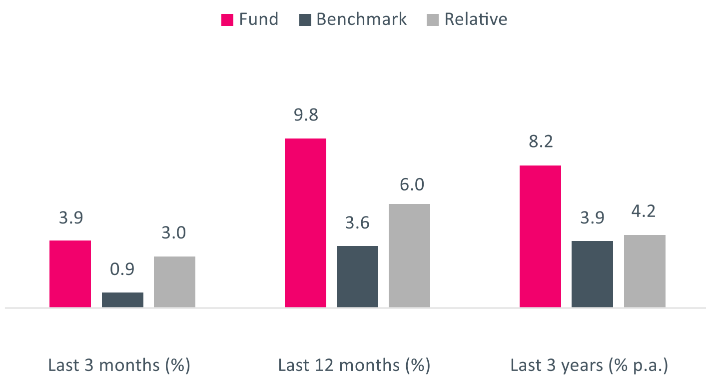
Infrastructure and property were the top contributors to performance this quarter, in particular, assets involved in logistics. Active currency also positively contributed.

Holdings in defensive assets such as absolute return strategies were the key detractor to performance, as expected considering the general negative correlation to equities which rose. Government bonds and high yield credit also detracted.

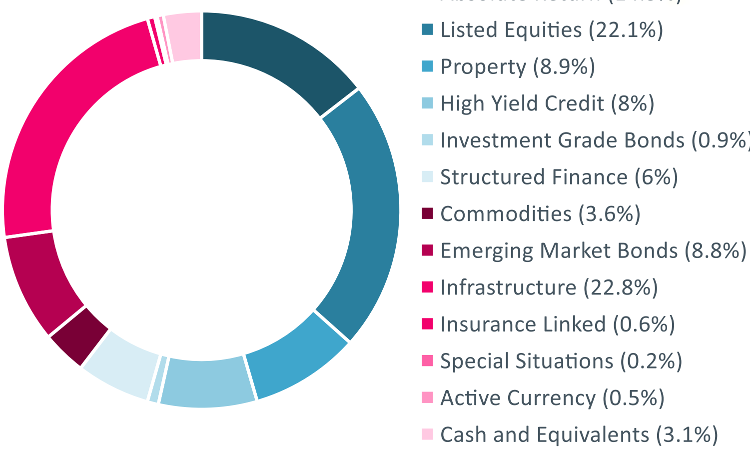
To reduce overall risk within the fund, Baillie Gifford has increased exposure to their oil and volatility strategy (introduced last quarter) and reduced allocations to listed equities.

Following recent turmoil in the Chinese property market, the manager added new allocations to Asian high yield bonds whilst prices were considerably low. As part of the manager's focus on sustainable power, allocations were added to 2 mining companies involved in the production of metals for low-carbon energy sources e.g. wind turbines.

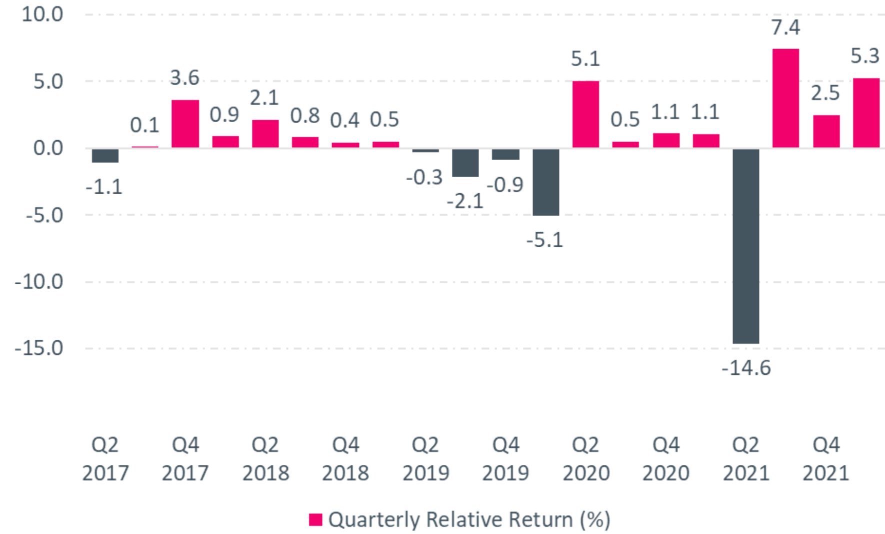
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Baillie Gifford and Link Group and is gross of fees.

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Schroder Property

The Schroder's property mandate returned 5.2% over Q4, falling short of benchmark by 0.9%. Relative performance was negative over the last 12-months however remained positive over the 3-year period.

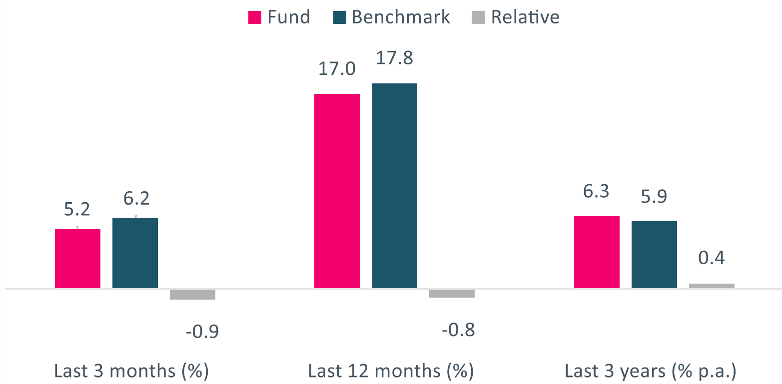
The property market continued to excel over the quarter, particularly in industrial rentals. As a result, the fund's underweight position to industrials resulted in the fund falling short of benchmark.

Positive performance was driven by growth in capital value (c.118m). The office sector continued to stabilise over the quarter and vacancy rates marginally rose. Additionally, retail park rents are expected to stabilise as larger items, such as furniture, have proven more resistant to the transition of online purchasing than stores found in shopping centres.

There were 25 new lettings and lease renewals and 4 rent reviews completed over the quarter. The 4 rent reviews were carried out at Acorn Industrial Estate, along with 5 new lettings, creating c.£330k additional annual rent.

The fund has plans to jointly acquire "The Brewery" with another Schroders strategy as part of the fund's strategy to provide long-term opportunities. Completion is expected in Q1 2022 and looks to provide £6.2m in rent per annum.

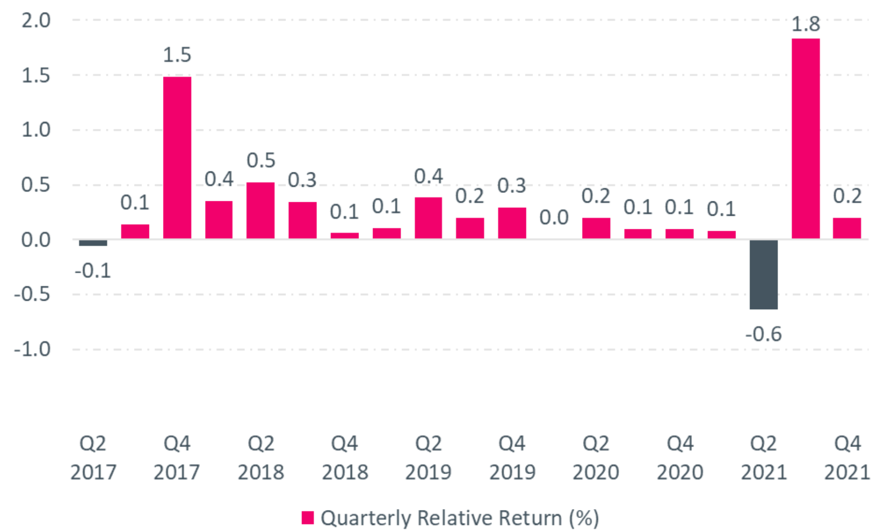
Performance summary



Key statistics

Fund size (gross)	£2,529.6m
Number of holdings	52
Number of tenants	644
Debt (% of NAV)	0.2%
Top 10 holdings as % of portfolio	46.1

Quarterly relative performance



Schroders Fixed Income

The Schroders Fixed Income portfolio returned 1.0% in Q4 2021, lagging its benchmark of 1.4%. The fund fell short of its 12-month target however remains ahead of its 3-year target.

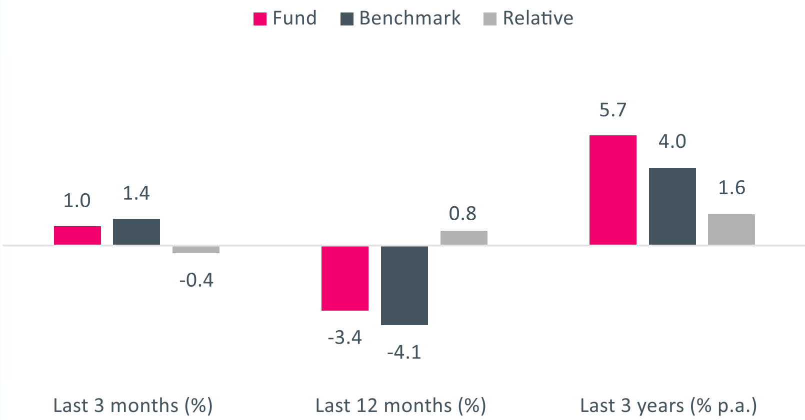
Economic concerns surrounding Omicron and high inflation led to muted returns in Q4. However the easing in supply chain disruptions and oil prices had marginal positive effect.

The fund's underperformance was driven by the purchase of credit default protection. With expectation to perform well as spreads widen (as seen in November), performance was hindered as spreads reversed and tightened once again in December.

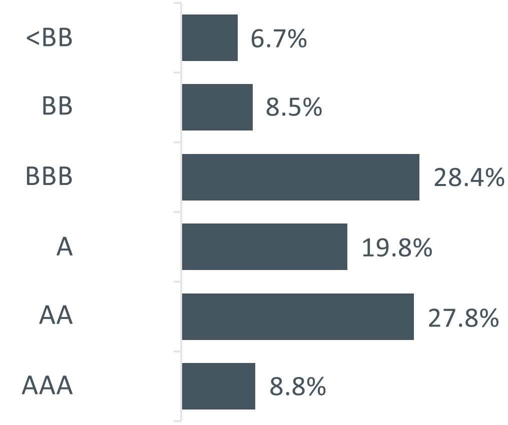
Key driver to performance was the fund's overweight duration to UK as the Bank of England raised interest rates, the first of what is expected to be a series of hikes. Furthermore, the flattening of bond yield curves as short-term yields moved higher proved favourable.

In terms of allocation, the fund decreased US duration due to the resilience seen in US consumers – adding positions to UK and Australia. Exposure to Italy was eliminated due to news of expansionary fiscal policy.

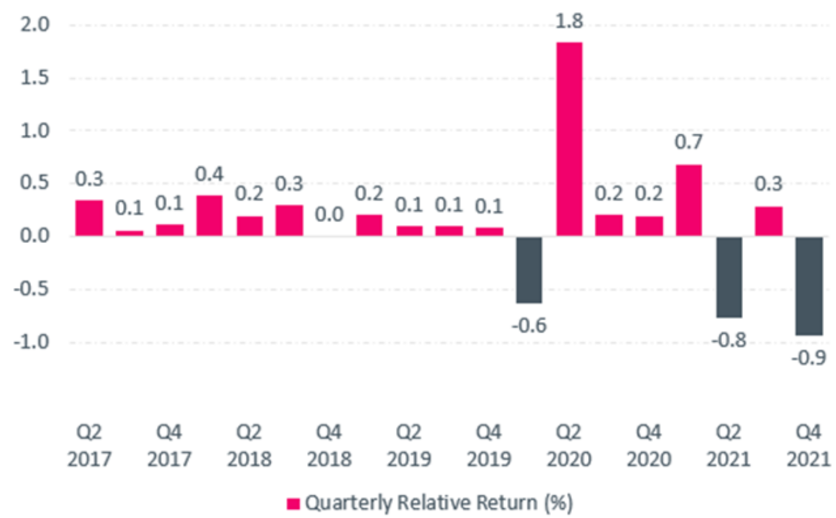
Performance summary



Relative credit allocation



Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

GSAM Broad Street Loan Partners IV Fund

In July 2020, a new 5% allocation to private debt was agreed by the Committee which will be drawn down over time.

The Fund received two capital calls from GSAM over Q4: These were as follows:

- c.£0.9m on 4 October 2021
- c.£3.8m on 15 November 2021

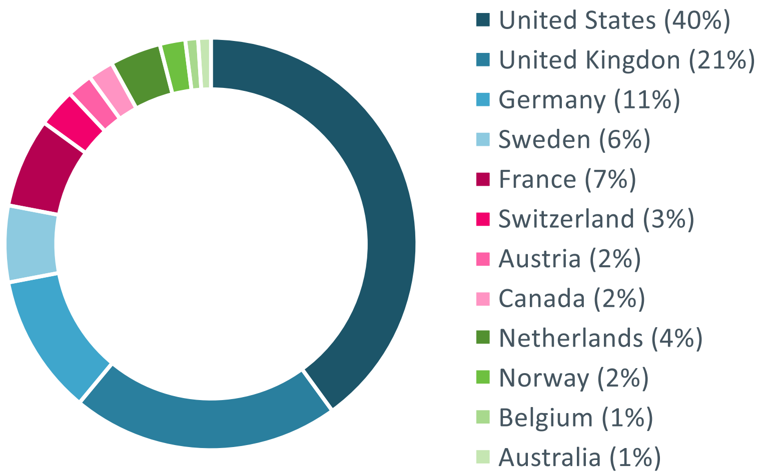
One distribution notice of c.£164k was received from GSAM alongside the capital call issued for 15 November 2021.

Following quarter end, a further $3.1m was called on 24 January.

First Lien term loans continue to hold the majority weighting, in line with the Fund's target investment profile.

It is too early in the funds lifecycle for performance data however as the Fund's commitment of £29m continues to drawdown, and as the size of the investment increases, performance reporting will develop.

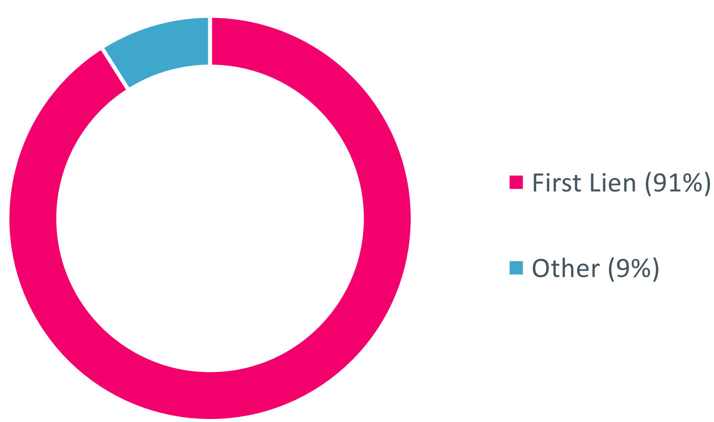
Geography split



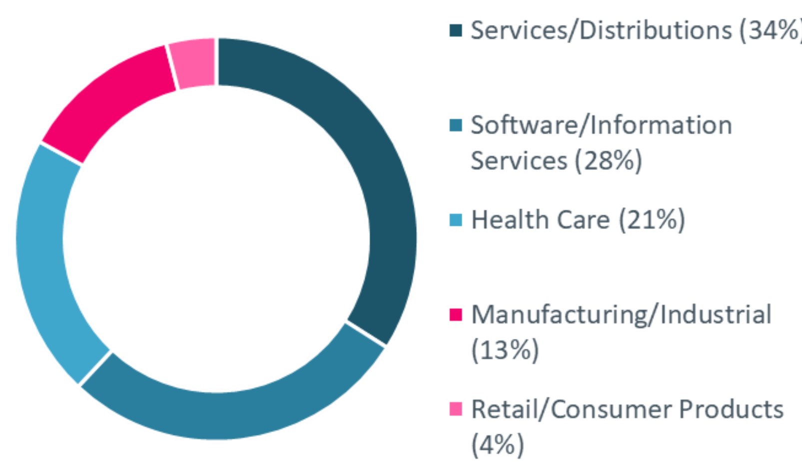
Key statistics (£m)

Commitment	29.0
Capital calls	3.8
Distributions	0.2
Estimated Capital balance	20.5
Estimated Net Income/Loss	0.2

Security/Loan type



Industry split



Source: Fund data provided by GSAM and is gross of fees.

Partners Direct Infrastructure

In July 2020, a new 5% allocation to infrastructure was agreed by the Committee which will be drawn down over time. The first allocation to Partners Direct Infrastructure Fund was drawn on 10 July 2021.

At the 30 November 2021, the net asset value for the fund was c.£4.1m, an increase of c.£0.7m from Q3 2021.

The fund commitments totalled c.£34.9m as at 30 November 2021 and capital contributions paid to date were c.£4.7m.

Reporting for the fund will evolve over time as the fund establishes.

Key statistics (£m) – 30 November 2021

Commitments	34.9
Capital contributions	4.7
Distributions	0
Net asset value	4.1
Net multiple	too early

Source: Fund data provided by Partners.

UBS Climate Aware World Equity Fund

Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach.

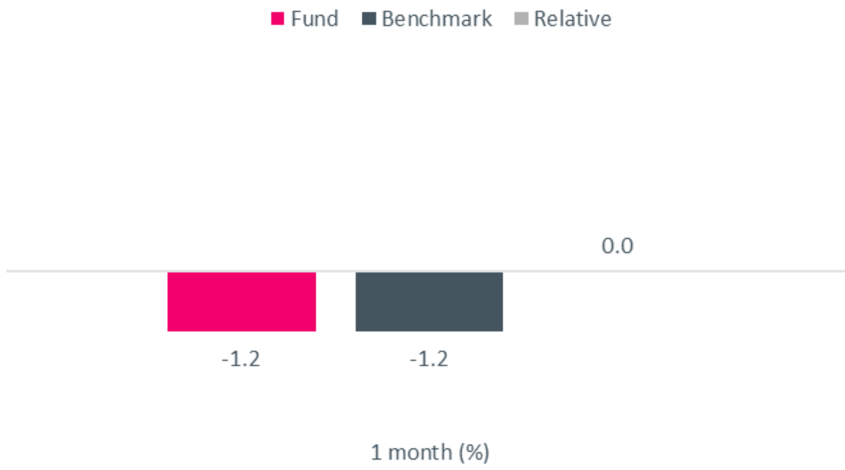
In December 2021, the new allocation of £145m was invested in the UBS Global Aware mandate. The aim of the mandate is to perform broadly in line with the FTSE AW Developed Index, delivering similar performance to standard global equity indices but with less carbon intensive investments.

From investment date 8 December 2021 to 31 December 2021, the fund returned -1.2% in line with the benchmark.

Performance is from inception of the fund on 8 December 2021.

Reporting for the fund will evolve as more reporting data becomes available.

Performance summary



Source: Data and fund performance data provided by UBS and is gross of fees.

This page sets out the benchmark, performance targets, and fees of each mandate.

It also provides descriptions of our ratings and the rationale behind our Hymans research and Responsible Investment ratings.

Benchmarks, Targets & Fees

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
Newton Global Equity Fund	25/08/2009	MSCI AC World	+2% p.a. over rolling 5 years
Majedie UK Equity Fund	31/08/2009	FTSE All Share	+2% p.a. over rolling 5 years
Schroders Fixed Income Fund	31/08/2009	50% iBoxx Gilts and 50% iBoxx Non-Gilts Indices	Outperform benchmark by 1% p.a. (net of fees) over a market cycle before fees
Schroders Property Fund	31/08/2009	AREF/MSCI UK Quarterly Property Fund Index All Balanced Funds Median	Outperform benchmark by 0.5% p.a. (net of fees) over 3 year rolling period
Baillie Gifford Diversified Growth Fund	30/10/2013	UK Base Rate +3.5% p.a.	UK Base Rate +3.5% p.a. (net of fees) over 5 year rolling period
GSAM Broad Street Loan Partners IV Fund	25/01/2021	-	8% gross IRR
Partners Infrastructure	10/07/2021	-	8-12% p.a. net of fees
UBS Climate Aware World Equity Fund	08/12/2021	FTSE AW Developed Index	-

Source: Investment Managers

Hymans Ratings

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.