

# Cogence Global Growth Portfolios Monthly Strategy Report

BlackRock Multi-Asset Strategies & Solutions | March 2023

**cogence**

# Executive Summary

This report reviews the monthly performance, risk and positions of the **Cogence Portfolio** range.

		01 Conservative			02 Moderate			03 Aggressive		
		Portfolio	Benchmark2	Active	Portfolio	Benchmark3	Active	Portfolio	Benchmark4	Active
<b>Performance</b>	<b>Month</b>	2.14%	2.43%	-0.29%	2.03%	2.65%	-0.62%	1.92%	2.87%	-0.95%
	<b>3 Months</b>	3.32%	4.01%	-0.69%	4.31%	5.11%	-0.81%	5.19%	6.21%	-1.02%
	<b>Year-to-date</b>	3.32%	4.01%	-0.69%	4.31%	5.11%	-0.81%	5.19%	6.21%	-1.02%
	<b>Since inception<sup>5</sup></b>	-0.20%	-	-	1.69%	-	-	2.74%	-	-
<b>Risk</b>	<b>Ex-ante Risk1</b>	7.10%	6.37%	1.18%	10.40%	9.69%	1.19%	14.00%	13.37%	1.25%
<b>ESG</b>	<b>ESG Adjusted Score</b>	6.4	6.2	0.2	6.4	6.4	0.0	7.0	6.6	0.3
	<b>Carbon Emission Intensity</b>	169.8	157.4	7.92%	169.8	153.5	10.66%	122.9	151.3	-18.76%

## Monthly Market Commentary

March was a positive months for most risk assets with the positive correlation between equity and bonds persisting. All equities, with the exception of UK equity ended the month higher and government bonds rallied for most developed economies. While the drop in yields was positive for credit assets, the widening in spreads was detrimental. Within equities, emerging market outperformed developed, driven by strong contributions from China.

In line with the benchmarks the portfolios generated positive return over the month however, active performance was negative over the month. The Aggressive profile underperformed its benchmark by 0.95%, the Moderate by 0.62% and Conservative profile underperformed by 0.29%.

Manager Selection was the biggest detractor, as the US Equity managers gave back the alpha generated in the year so far. On the asset allocation side the overweight to emerging market was additive, however the underweight to government bonds detracted from the active performance as government yields dropped for most developed economies.

At the end of March we revised our strategic allocation.

- Within fixed income, we maintain our preference for sub-investment grade credit and inflation-linkers which we fund from global aggregate bonds. We also maintain our exposure to cash through a reduction in global aggregate bonds.
- Additionally we are slightly adjusting our fixed income and equity positioning to reduce regional views.

As a result, at a total portfolio level we are neutral equities, approximately .3 to .35 years short duration, long sub-investment grade, long inflation-linked bonds and short global aggregate bonds.

Tactically, we reduced our duration by selling government bonds and redeploying into cash. We also trim our preference for small cap.

The three portfolios continue to be positioned with a slight risk on generating an active risk between 1.15% and 1.25%.

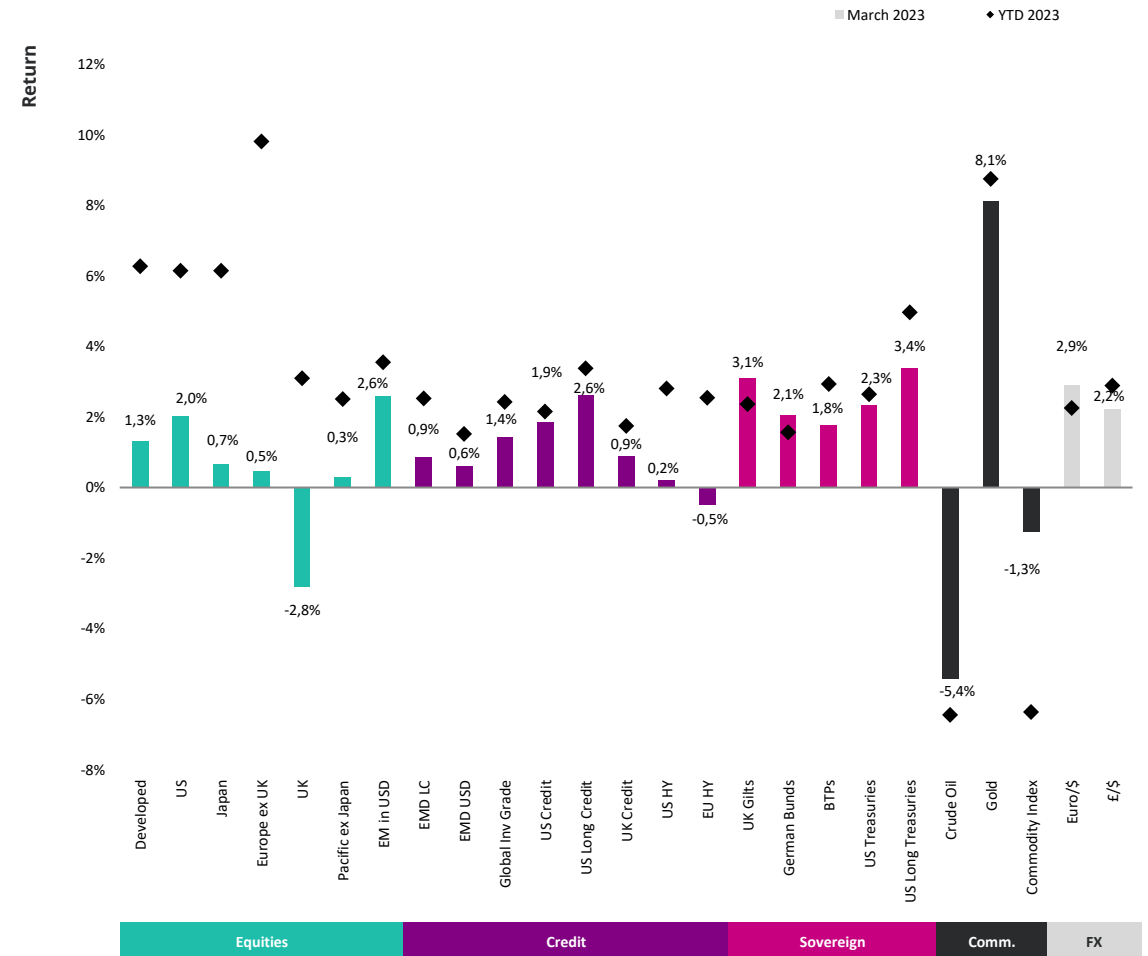
1Risk based on 230 exponentially weighted monthly observations (36 month half life). 2Benchmark is composed of 25% MSCI All Country World Index (Net Total Return) and 75% BBG Global Index (USD Hedged). 3Benchmark is composed of 50% MSCI All Country World Index (Net Total Return) and 50% BBG Global Aggregate Index (USD Hedged). 4BenchAggregatemark is composed of 75% MSCI All Country World Index (Net Total Return) and 25% BBG Global Aggregate Index (USD Hedged). 5Since inception as at 18th August 2020

# Monthly Market Update March 2023

## Monthly Market Commentary

- Major asset classes enjoyed largely positive returns during the month of March, with the majority finishing the first quarter of 2023 in positive territory. Developed market equities increased by 1.3% over the month, with the US being the strongest performing region, delivering 2.0%, followed by Japanese equities, which were up by 0.7%. The UK equity market, which has material exposure to financial and energy stocks, fell by 2.8%. Emerging market equities outperformed their developed market equivalents over the month, returning 2.6%. Both credit and sovereign bonds markets saw generally positive returns over March. US treasuries were up by 2.3%, slightly lagging UK gilts which returned 3.1%. Commodities endured a mixed bag of returns over the month, with gold being the best performing asset class, returning 8.1%, whilst crude oil found itself at the other end of the spectrum, falling by 5.4%. In currencies, the Euro and Sterling appreciated against USD by 2.9% and 2.2% respectively.
- Despite the generally positive returns over the month, March saw some significant bouts of volatility, most notably in relation to the financial sector, driven by the collapse of Silicon Valley Bank and subsequent acquisition of Credit Suisse by UBS. Central banks continued their efforts to bring inflation under control, with the Federal Reserve (Fed) announcing a 25bps increase in the federal funds rate, to a range of 4.75% - 5.00%. This was lower than many market participants had anticipated, and buoyed by the somewhat dovish comments made by the Chair of the Fed, Jay Powell, equity markets gained as a result. Elsewhere, the European Central Bank increased its deposit rate by 50bps, whilst the Bank of England, which is still battling a headline CPI inflation measure of over 10%, increased its rate by 25bps. Most headline inflation measures announced during the month indicated a slight easing compared to recent highs, largely driven by lower energy prices, however core inflation persists.
- Global bond markets moved higher over the month, lifted by the cooling of headline inflation measures and the potential for easier monetary policy later in the year. US 10-year yields fell from 3.91% to 3.48%, with the two-year yield falling from 4.80% to 4.04%. Germany's 10-year yield fell from 2.63% to 2.31%. The UK 10-year yield fell from 3.82% to 3.49%, and the 2-year yield fell from 3.69% to 3.44%. The spreads offered by US, UK and European investment grade and high yield bonds widened over the month, whilst the absolute yield dropped due to the fall in government bond yields. Emerging market debt delivered small positive returns in both local currency and USD terms.

## Monthly Market Performance



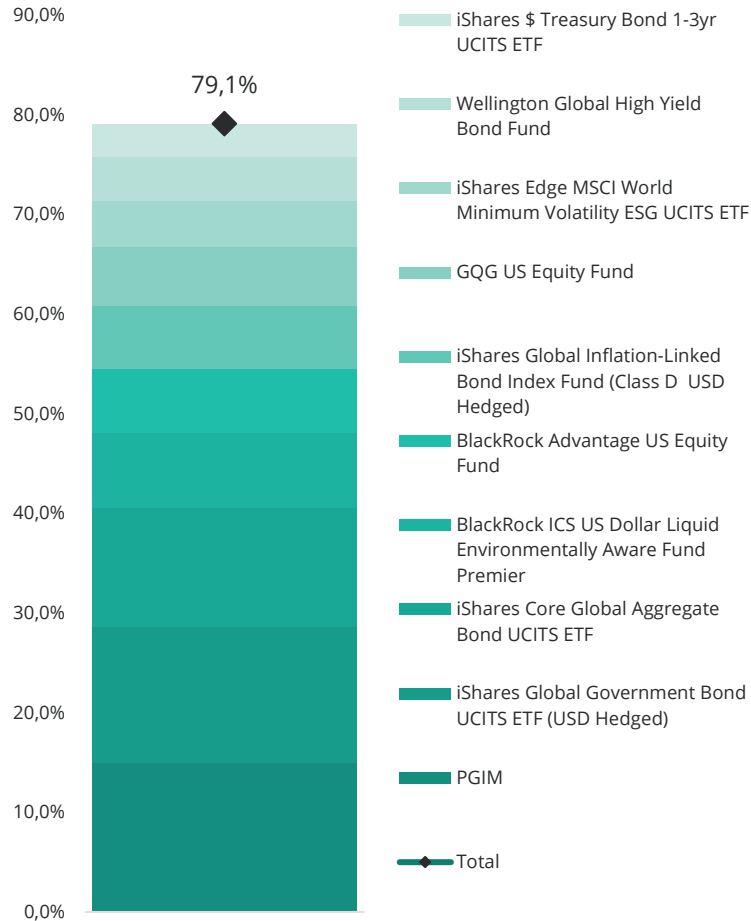
The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. Index performance returns do not reflect any management fees, transaction costs or expenses. Source: Multi-Asset Strategies & Solutions, DataStream, all data as of 31 March 2023. All performance numbers in local currency unless otherwise stated.

# Asset Allocation Review

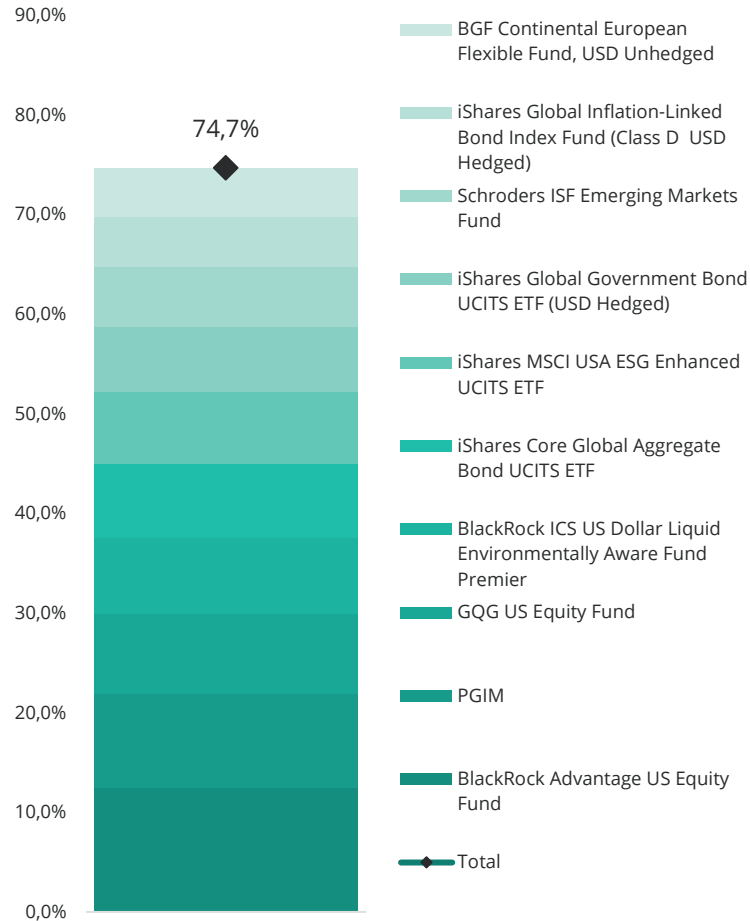
Asset Class		Conservative		Moderate		Aggressive	
		Mar-23	Change	Mar-23	Change	Mar-23	Change
	<b>Equity</b>	<b>27.46%</b>	<b>-0.09%</b>	<b>52.47%</b>	<b>-0.03%</b>	<b>77.52%</b>	<b>0.04%</b>
<b>Emerging Markets</b>	iShares MSCI EM ESG Enhanced UCITS ETF	1.98%	-0.06%	1.98%	-0.06%	1.98%	-0.06%
	Schroders ISF Emerging Markets Fund	3.08%	-0.07%	5.98%	-0.53%	8.87%	-0.69%
<b>Europe</b>	BGF Continental European Flexible Fund, USD Unhedged	1.59%	0.20%	4.86%	0.60%	7.74%	0.71%
<b>Global Small Cap</b>	American Century Global Small Cap Equity Fund	0.65%	-0.50%	1.26%	-0.50%	1.91%	-0.50%
<b>Japan</b>	iShares MSCI Japan ESG Enhanced UCITS ETF (Unhedged)	1.20%	0.00%	2.80%	0.01%	4.40%	0.02%
<b>UK</b>	iShares FTSE 100 ETF, USD Un-hedged	1.40%	0.00%	2.21%	0.00%	3.11%	0.01%
<b>US</b>	BlackRock Advantage US Equity Fund	6.42%	0.34%	12.45%	0.09%	16.37%	0.13%
	GQG US Equity Fund	5.98%	-0.04%	7.98%	-0.04%	10.48%	-0.05%
	iShares MSCI USA ESG Enhanced UCITS ETF	0.00%	0.00%	7.21%	0.36%	16.23%	0.44%
<b>World Factors</b>	iShares Edge MSCI World Minimum Volatility ESG UCITS ETF	4.51%	0.02%	4.51%	0.03%	4.52%	0.03%
	iShares Edge MSCI World Value ETF	0.65%	0.00%	1.26%	0.00%	1.91%	0.01%
	<b>Fixed Income</b>	<b>64.96%</b>	<b>-1.87%</b>	<b>39.94%</b>	<b>-1.93%</b>	<b>15.59%</b>	<b>-2.01%</b>
<b>Emerging Markets</b>	Neuberger Berman Emerging Market Debt Local Currency Fund	1.49%	-0.02%	1.50%	-0.02%	1.50%	-0.02%
	Payden Emerging Market Debt HC Fund	1.49%	0.00%	1.50%	0.00%	1.50%	0.00%
<b>Government Bonds</b>	iShares \$ Treasury Bond 1-3yr UCITS ETF	3.30%	-1.01%	1.80%	-0.50%	0.00%	0.00%
	iShares China CNY Bond UCITS ETF Agg	3.00%	1.99%	0.50%	0.50%	0.00%	0.00%
	iShares Core Global Aggregate Bond UCITS ETF	12.01%	0.01%	7.51%	0.01%	0.80%	-1.20%
	iShares Euro Government Bond Climate UCITS ETF (EUR Unhedged)	2.01%	-0.98%	1.00%	-0.99%	0.00%	-0.80%
	iShares Global Government Bond UCITS ETF (USD Hedged)	13.57%	-0.92%	6.54%	-0.95%	0.00%	0.00%
	iShares Global Inflation-Linked Bond Index Fund (Class D USD Hedged)	6.28%	-0.01%	5.09%	-0.01%	3.49%	0.00%
	iShares USD Treasury Bond 7-10yr UCITS ETF USD	2.31%	-0.96%	0.50%	0.01%	0.00%	0.00%
<b>High Yield</b>	Wellington Global High Yield Bond Fund	4.48%	-0.02%	4.49%	-0.02%	4.49%	-0.01%
<b>IG Credit</b>	PGIM Global Investment Grade	15.01%	-0.05%	9.52%	-0.04%	3.81%	-0.02%
	<b>Alternative</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Gold</b>	ISHARES PHYSICAL GOLD	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	<b>Cash</b>	<b>7.58%</b>	<b>1.95%</b>	<b>7.58%</b>	<b>1.96%</b>	<b>6.89%</b>	<b>1.97%</b>
<b>Cash</b>	BlackRock ICS US Dollar Liquid Environmentally Aware Fund Premier	7.58%	1.95%	7.58%	1.96%	6.89%	1.97%
	Cash	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total</b>		<b>100.00%</b>		<b>100.00%</b>		<b>100.00%</b>	

# Asset Allocation | Top 10 Holdings

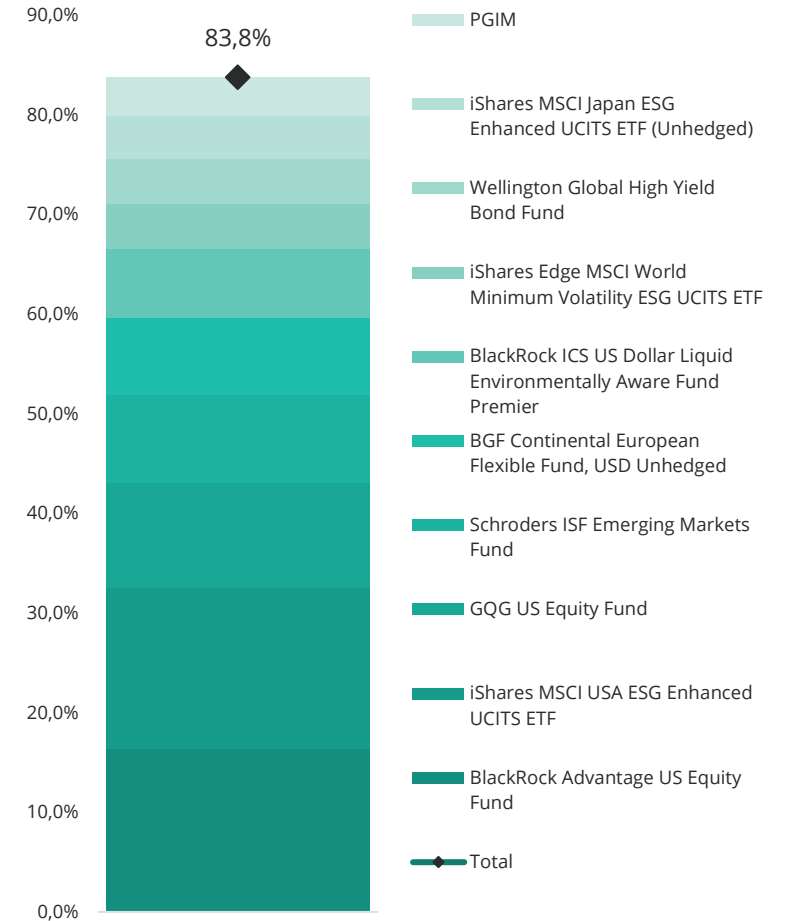
## Conservative



## Balanced



## Aggressive

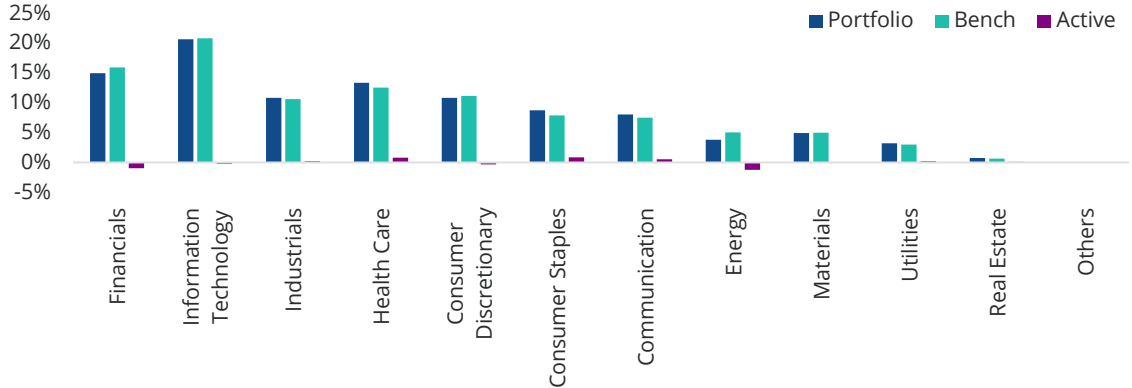


Source: BlackRock, 31 March 2023. Performance and valuations rounded where appropriate, hence totals may not sum. Positions shown are as off end of the month and included market drift from the last rebalance.

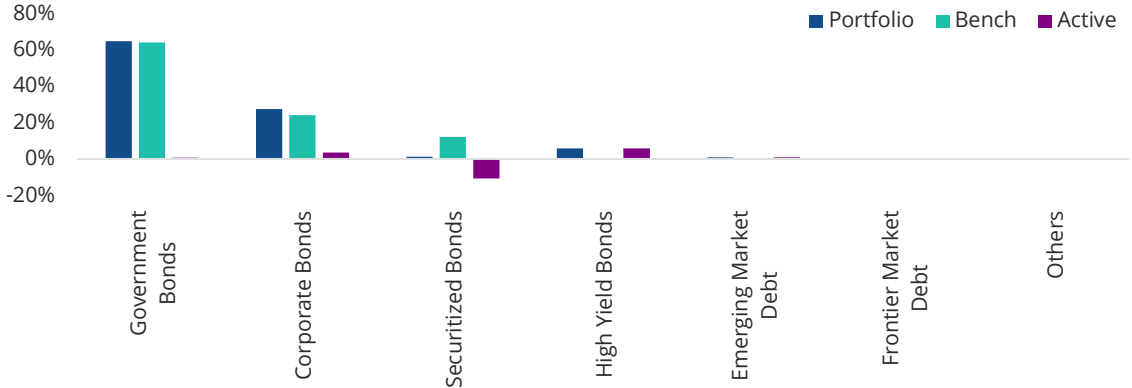
# Asset Allocation Review | Look-Through Analysis

The graphs on this page provide a look-through perspective on active allocations in the **Conservative Model Portfolio**.

## Equities: Sector allocation

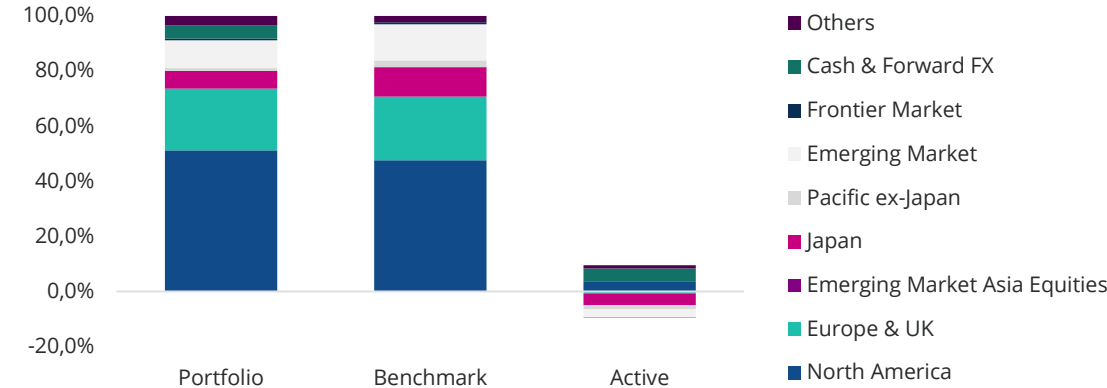


## Fixed Income: Issuer Type

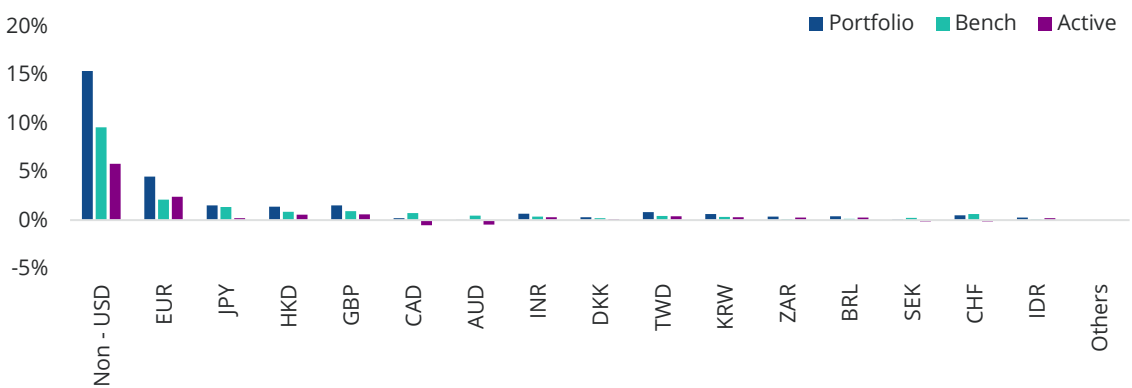


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

## Total Portfolio: Country allocation



## Total Portfolio: Currency allocation

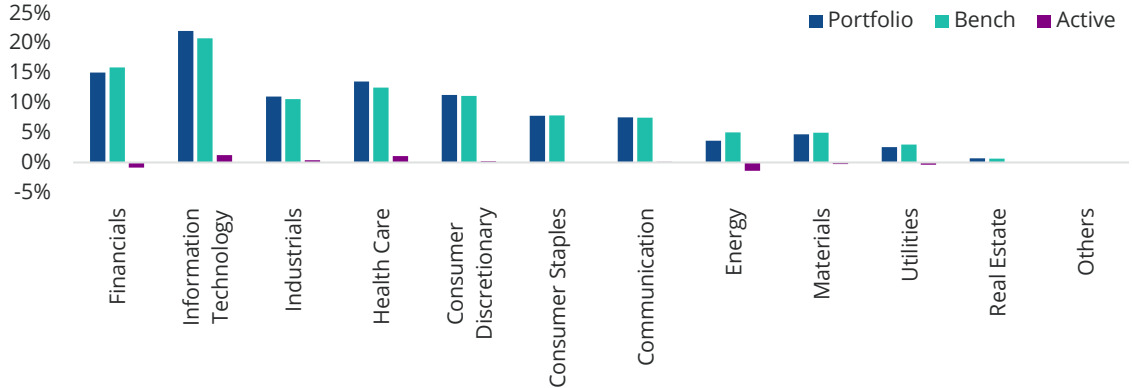


BlackRock, Data as of 31 March 2023. Figures are based on unaudited values. Benchmark is composed of 25% MSCI All Country World Index (Net Total Return) and 75% BBG Global Aggregate Index (USD Hedged).

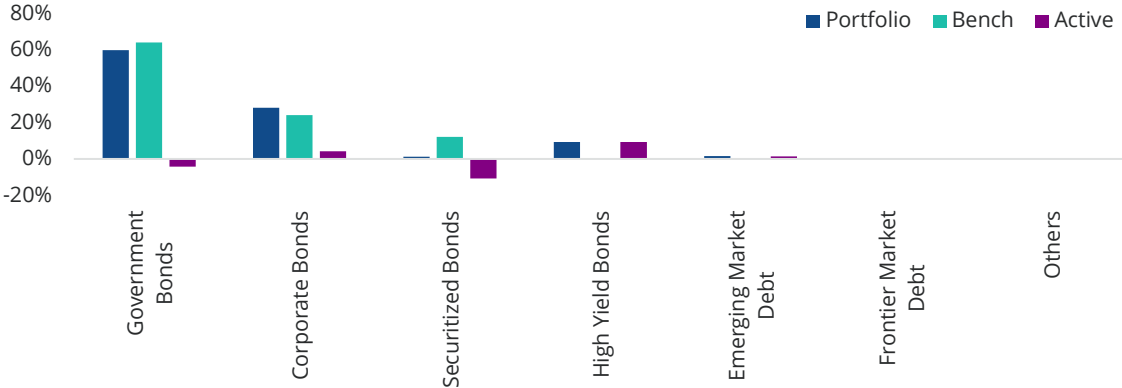
# Asset Allocation Review | Look-Through Analysis

The graphs on this page provide a look-through perspective on active allocations in the **Moderate Model Portfolio**.

## Equities: Sector allocation

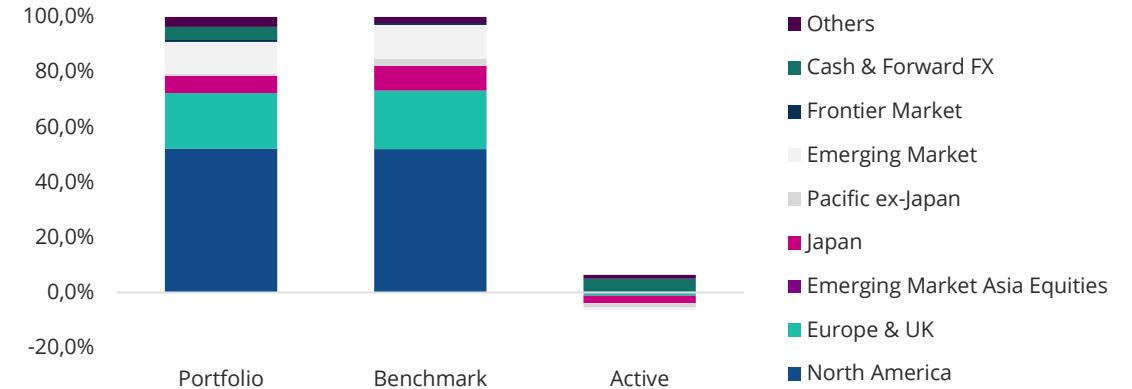


## Fixed Income: Issuer Type

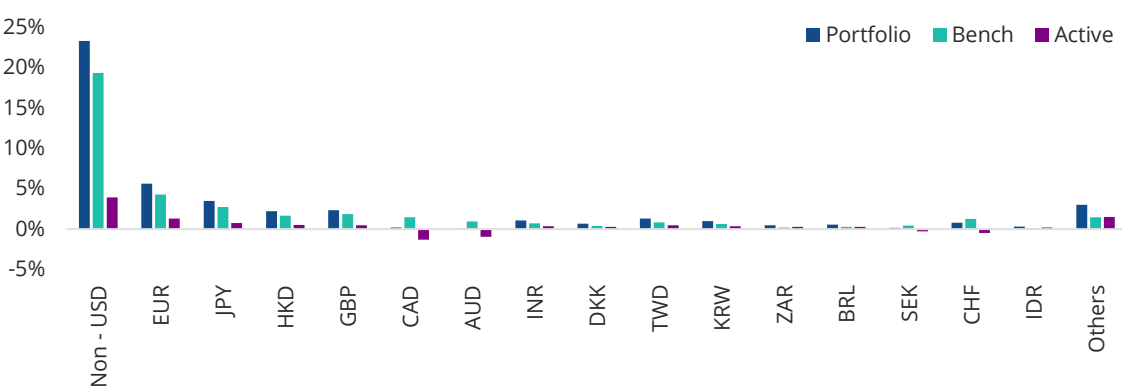


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

## Total Portfolio: Country allocation



## Total Portfolio: Currency allocation

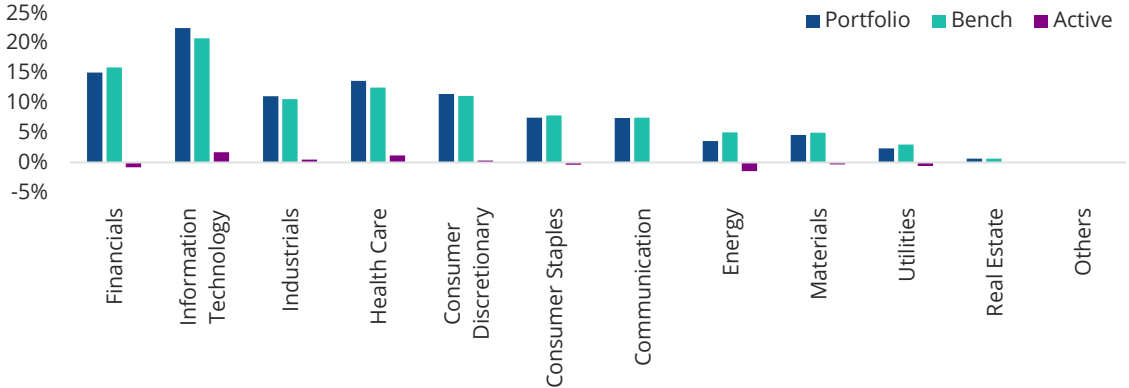


BlackRock Data as of 31 March 2023. Figures are based on unaudited values. Benchmark is composed of 50% MSCI All Country World Index (Net Total Return) and 50% BBG Global Aggregate Index (USD Hedged).

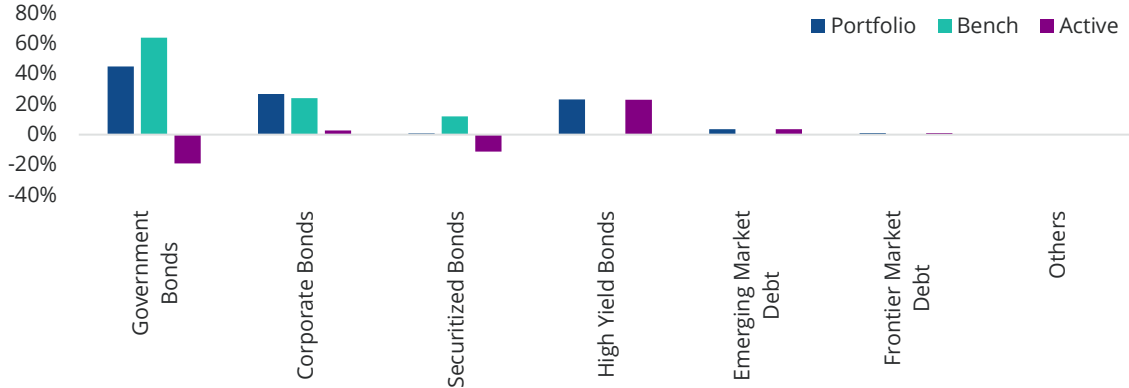
# Asset Allocation Review | Look-Through Analysis

The graphs on this page provide a look-through perspective on active allocations in the **Aggressive Model Portfolio**.

## Equities: Sector allocation

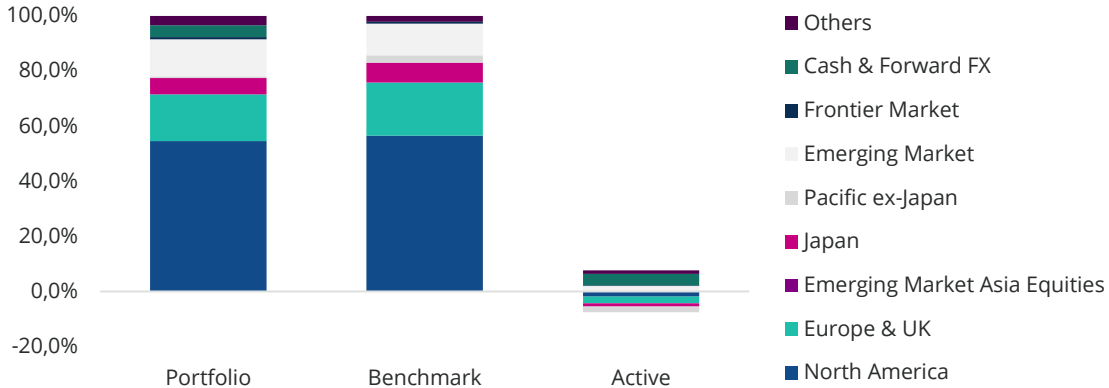


## Fixed Income: Issuer Type

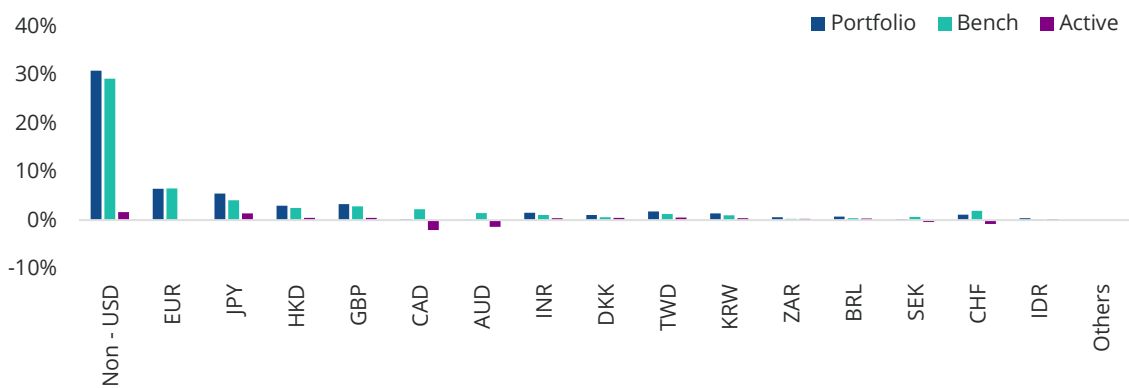


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

## Total Portfolio: Country allocation



## Total Portfolio: Currency allocation



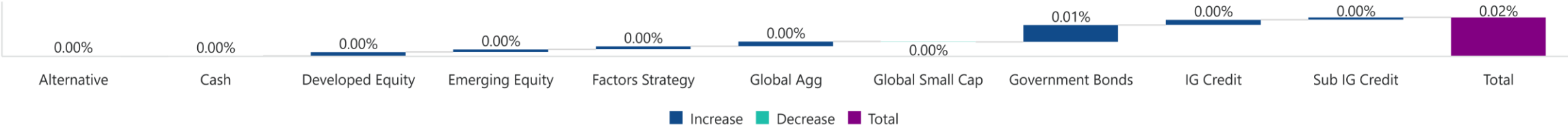
BlackRock, Data as of 31 March 2023. Figures are based on unaudited values. Benchmark is composed of 75% MSCI All Country World Index (Net Total Return) and 25% BBG Global Aggregate Index (USD Hedged).



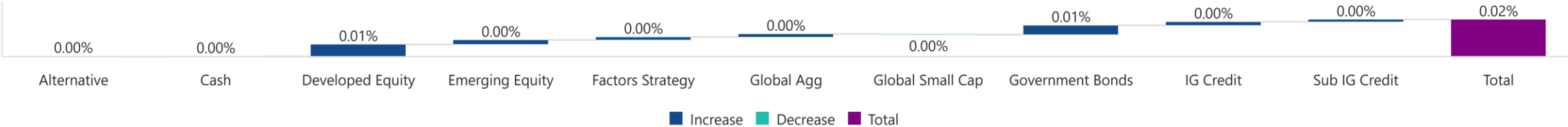
# Performance Contribution | 1 Month

Performance Contribution identifies how much of the total portfolio performance has been contributed from the underlying investments.

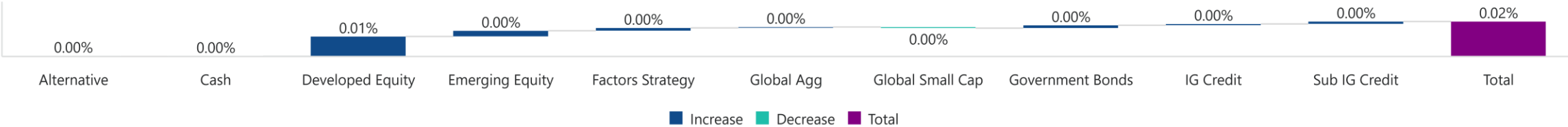
## Conservative



## Moderate



## Aggressive

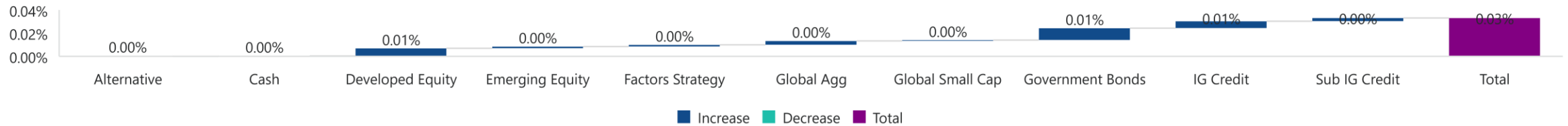


Note: Attribution methodology calculates the active performance under three headings. Asset Allocation includes any active tilts applied using underlying pooled funds, futures or currency forwards. Performance is shown gross of Fee, but some components of the performance may be net when the management fee relating to the collective investment scheme and exchange traded funds is borne in the unit price.

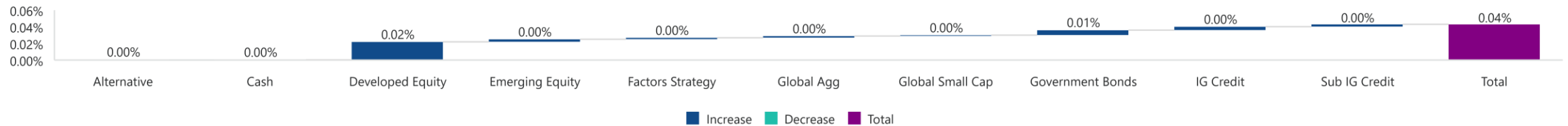
# Performance Contribution | Year to Date

**Performance Contribution** identifies how much of the total portfolio performance has been contributed from the underlying investments.

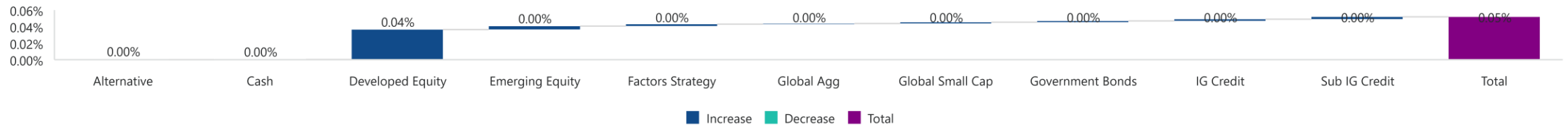
## Conservative



## Moderate



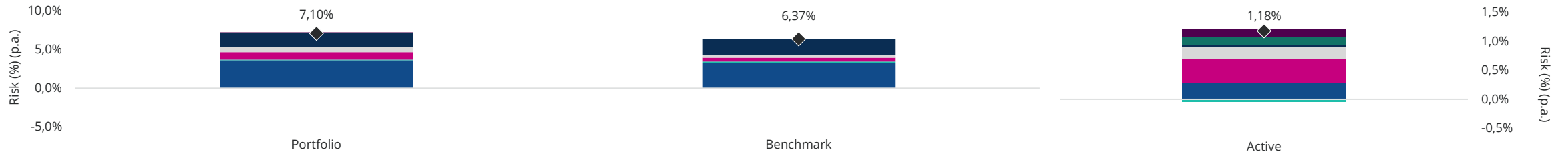
## Aggressive



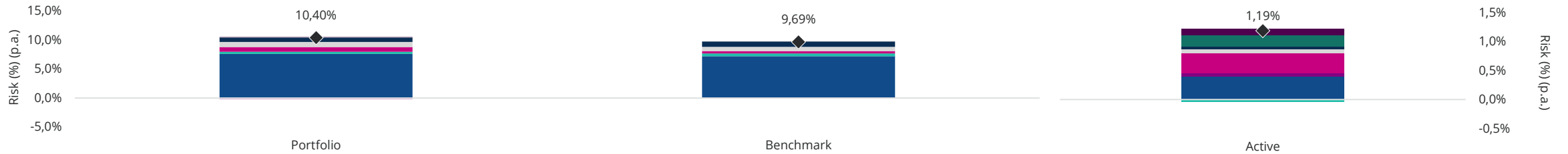
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# Risk Review | Absolute & Relative

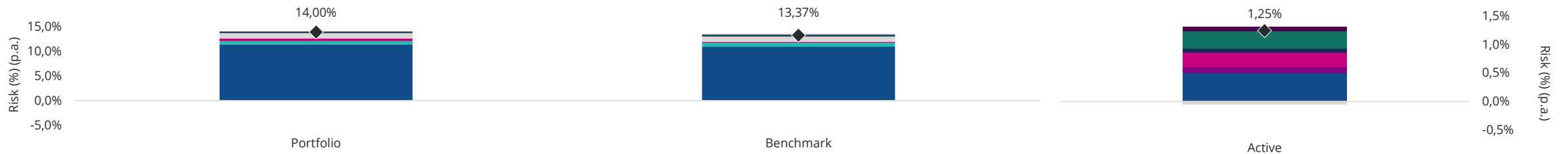
## Conservative



## Balanced



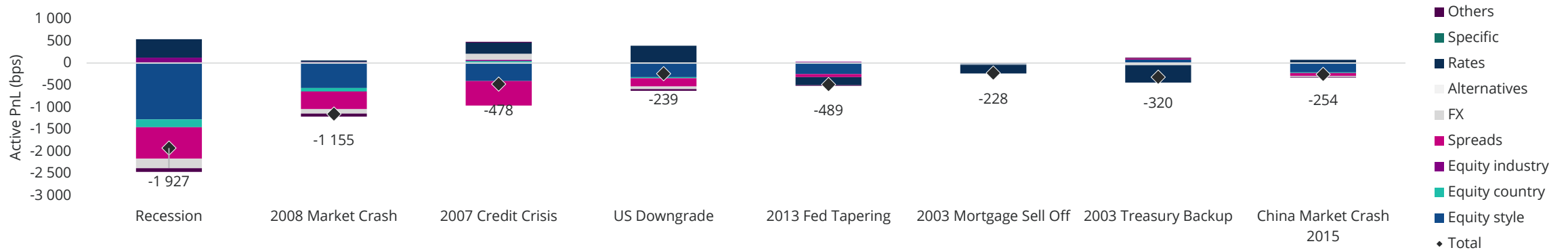
## Aggressive



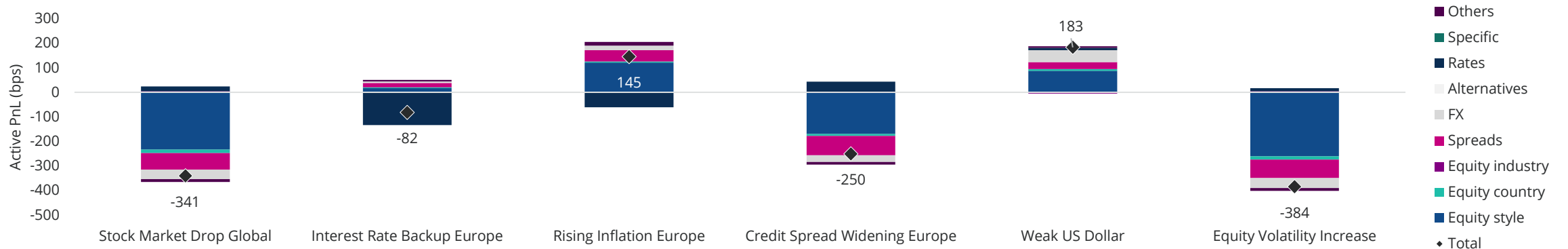
# Risk Review | Scenario analysis

The charts below apply different historical and forward-looking scenarios to the current portfolio. For additional information on the forward-looking scenarios, please refer to the appendix. The below data is for the **Conservative Model Portfolio**

## Historical scenarios



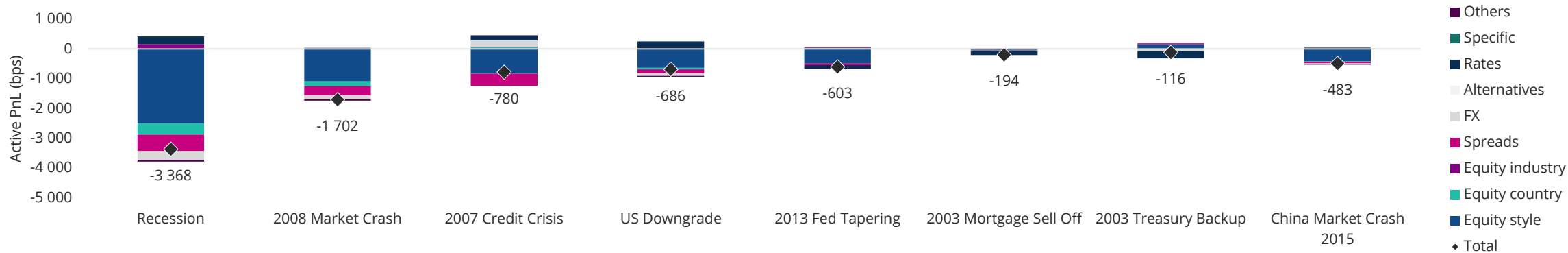
## Forward-looking scenarios



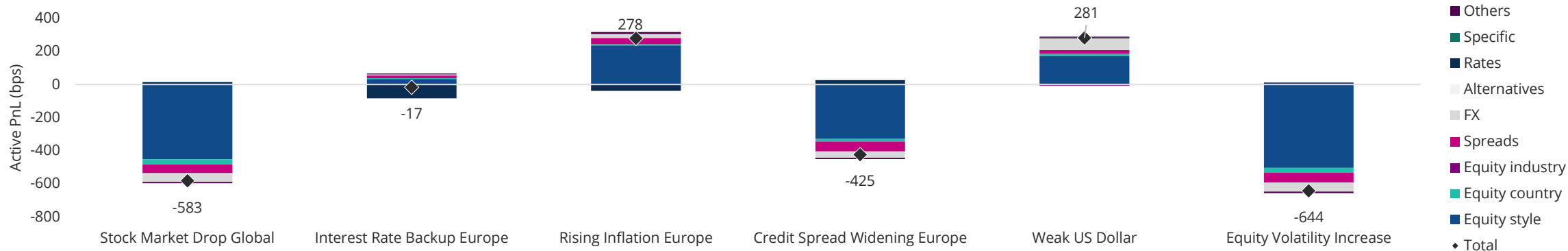
# Risk Review | Scenario analysis

The charts below apply different historical and forward-looking scenarios to the current portfolio. For additional information on the forward-looking scenarios, please refer to the appendix. The below data is for the **Moderate Model Portfolio**

## Historical scenarios



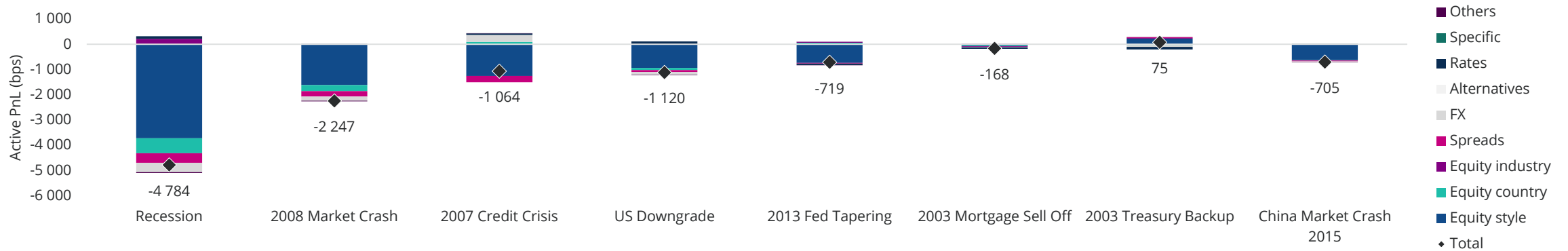
## Forward-looking scenarios



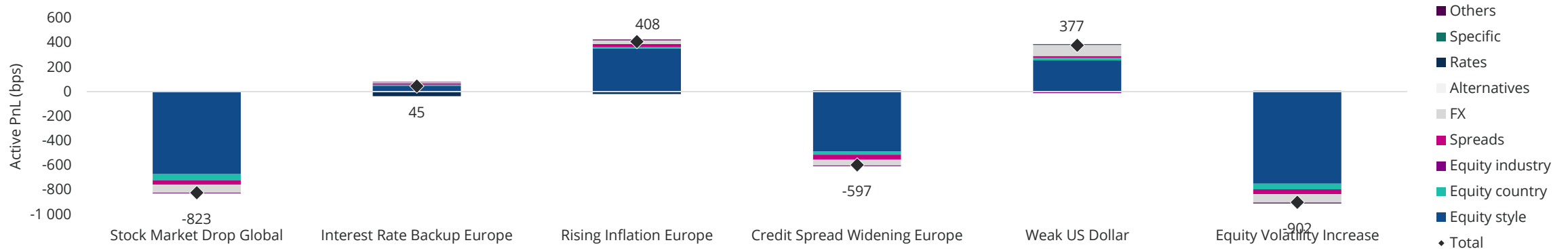
# Risk Review | Scenario analysis

The charts below apply different historical and forward-looking scenarios to the current portfolio. For additional information on the forward-looking scenarios, please refer to the appendix. The below data is for the **Aggressive Model Portfolio**

## Historical scenarios



## Forward-looking scenarios

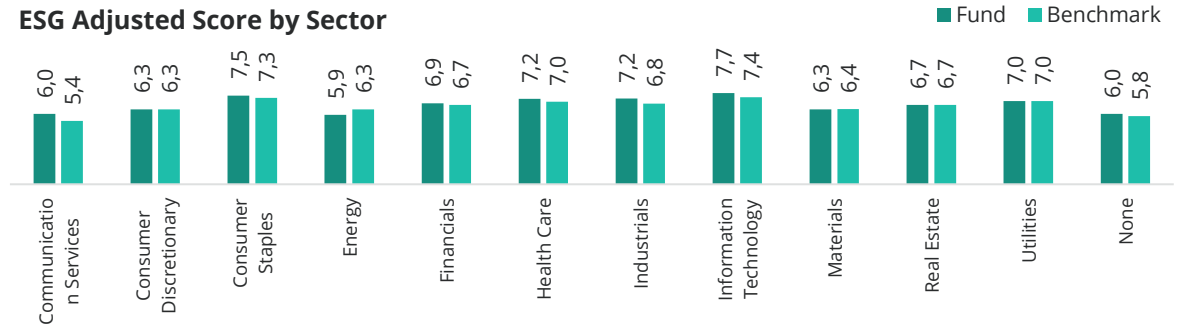


# Carbon and ESG Reporting | Conservative Model Portfolio

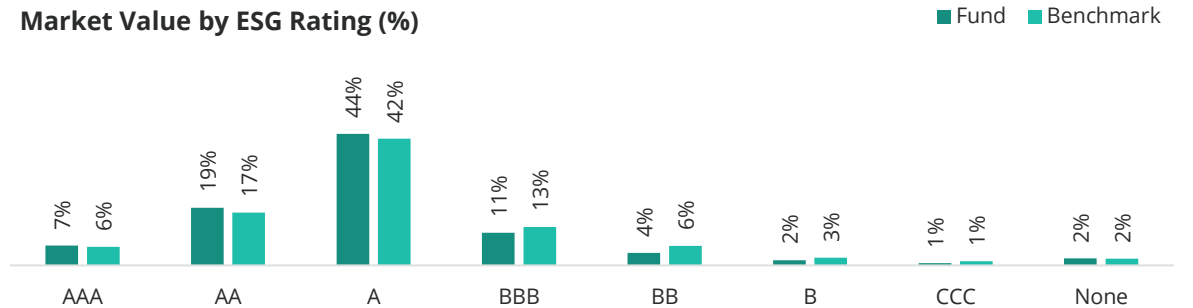
ESG	Portfolio Benchmark Active							
	<b>ESG Coverage</b> % Market Value	86.3%	88.7%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	6.4	6.2	0.2				
	<b>Environment Score</b> 0 (worst) - 10 (best)	5.9	5.6	0.3				
	<b>Social Score</b> 0 (worst) - 10 (best)	6.2	6.2	0.0				
	<b>Governance Score</b> 0 (worst) - 10 (best)	6.0	6.0	-0.1				
<b>Active Risk Contribution by ESG Rating (bps)</b>			518					
	-45	-114	-118	-85	-23	-11	-5	
	AAA	AA	A	BBB	BB	B	CCC	None
Carbon	Fund Benchmark Active							
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	95.9	98.9	-3.0%				
	<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	169.8	157.4	7.9%				



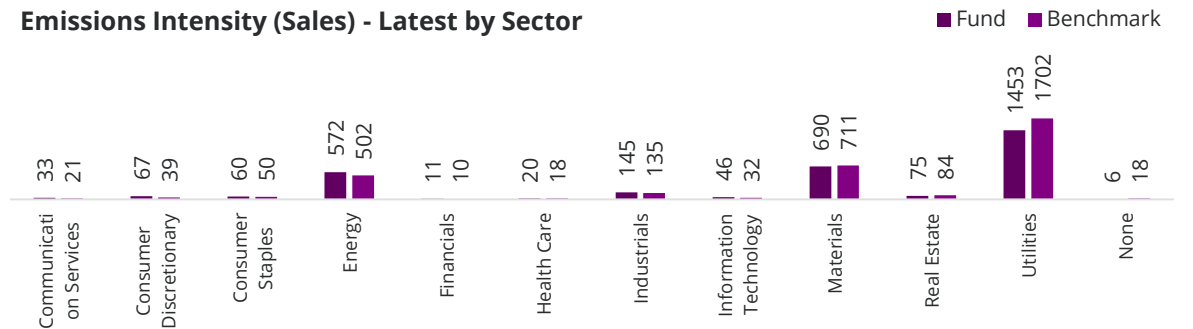
ESG Adjusted Score by Sector



Market Value by ESG Rating (%)



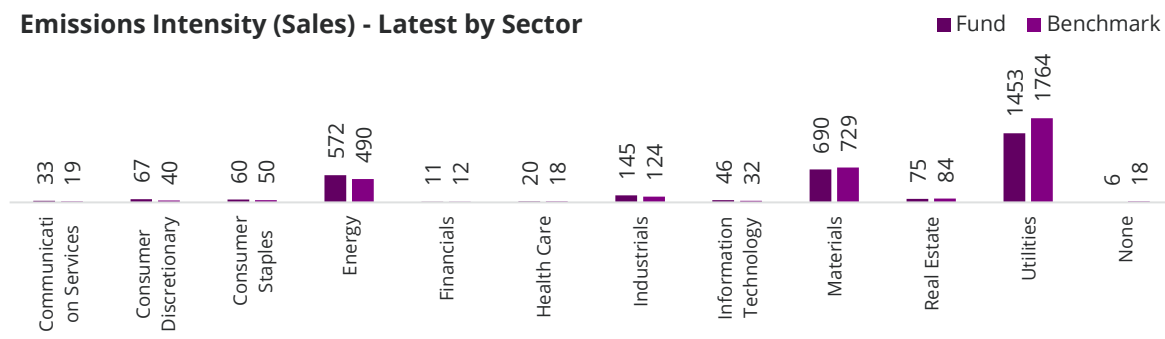
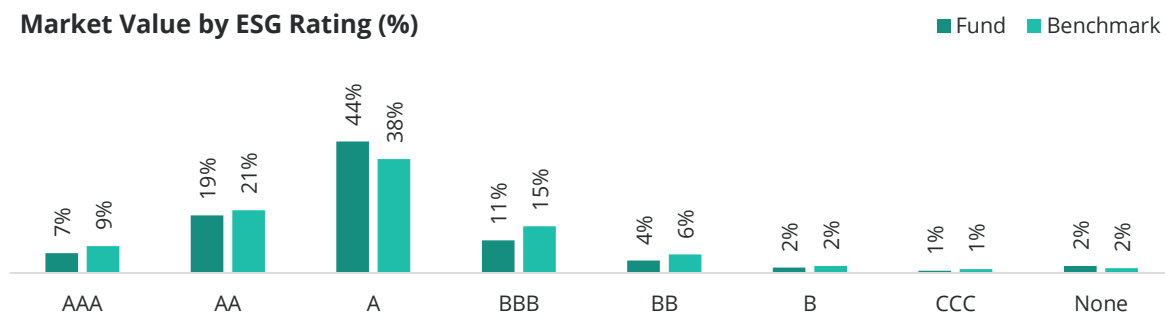
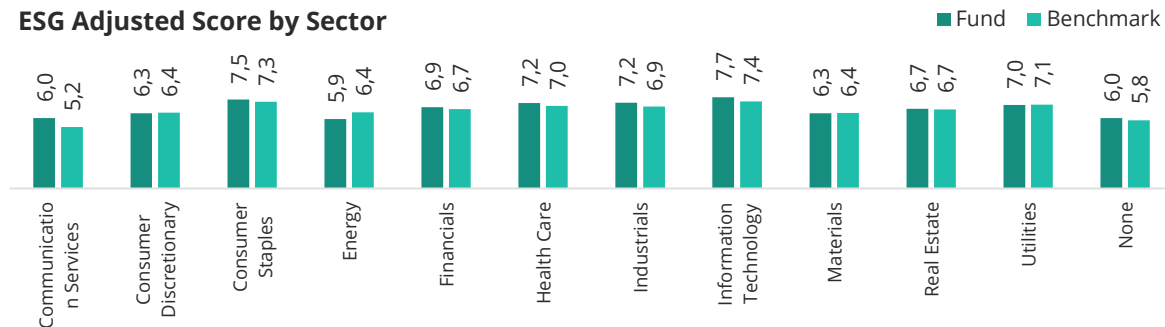
Emissions Intensity (Sales) - Latest by Sector



Source: Based on portfolio holdings data at 31 March 2023 For information only, subject to change. For explanations about the methodology, refer to 'Methodologies and assumptions'. The ratings, metrics, methodologies and scores may differ from those of other providers. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission; no further distribution.

# Carbon and ESG Reporting | Moderate Model Portfolio

ESG	Portfolio Benchmark Active							
	<b>ESG Coverage</b> % Market Value	86.3%	92.4%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	6.4	6.4	0.0				
	<b>Environment Score</b> 0 (worst) - 10 (best)	5.9	5.9	-0.1				
	<b>Social Score</b> 0 (worst) - 10 (best)	6.2	5.9	0.3				
	<b>Governance Score</b> 0 (worst) - 10 (best)	6.0	5.9	0.1				
<b>Active Risk Contribution by ESG Rating (bps)</b>			518					
	-45	-114	-118	-85	-23	-11	-5	
	AAA	AA	A	BBB	BB	B	CCC	None
Carbon	Fund Benchmark Active							
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	95.9	99.3	-3.4%				
	<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	169.8	153.5	10.7%				

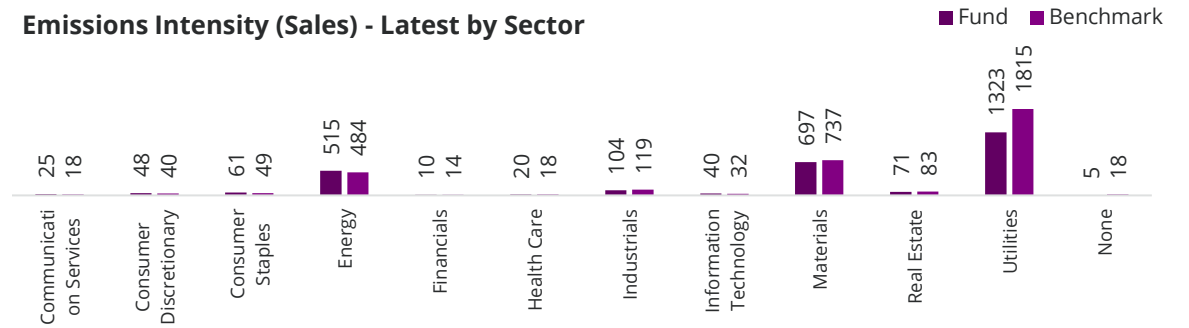
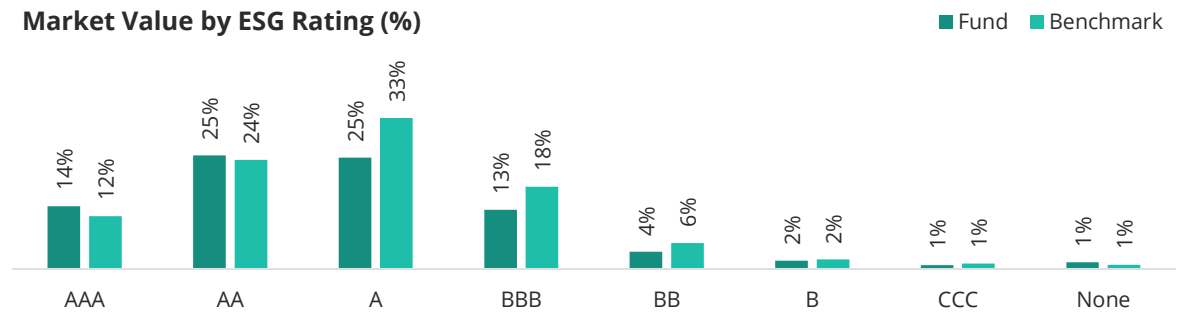
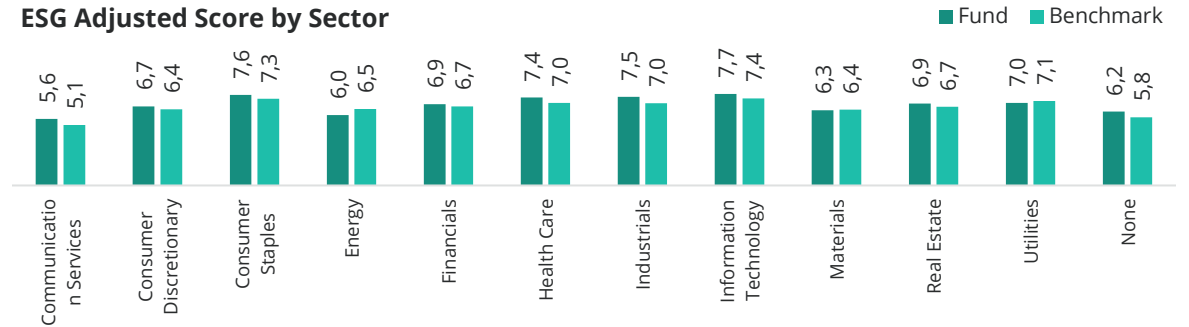


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# Carbon and ESG Reporting | Aggressive Model Portfolio

ESG	Portfolio Benchmark		Active					
	<b>ESG Coverage</b> % Market Value	82.8%	96.1%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	7.0	6.6	0.3				
	<b>Environment Score</b> 0 (worst) - 10 (best)	6.6	6.3	0.3				
	<b>Social Score</b> 0 (worst) - 10 (best)	5.5	5.5	0.0				
<b>Governance Score</b> 0 (worst) - 10 (best)	5.7	5.8	0.0					
<b>Active Risk Contribution by ESG Rating (bps)</b>			778					
	-81	-182	-195	-133	-40	-17	-6	
	AAA	AA	A	BBB	BB	B	CCC	None
Carbon	Fund		Benchmark	Active				
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	80.5	99.4	-19.0%				
	<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	122.9	151.3	-18.8%				



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**Supporting Material**

**cogence**

# Portfolio Commentary

## Conservative

The Portfolio returned 2.14% over the month underperforming the reference benchmark by 0.29%. Longer term, Since Inception returns sits at -0.2% p.a.

March was a positive months for most risk assets with the positive correlation between equity and bonds persisting. All equities, with the exception of UK equity ended the month higher and government bonds rallied for most developed economies. While the drop in yields was positive for credit assets, the widening in spreads was detrimental. Within equities, emerging market outperformed developed, driven by strong contributions from China.

In line with the benchmarks the portfolios generated positive return over the month however, active performance was negative over the month. The Aggressive profile underperformed its benchmark by 0.95%, the Moderate by 0.62% and Conservative profile underperformed by 0.29%. Manager Selection was the biggest detractor, as the US Equity managers gave back the alpha generated in the year so far. On the asset allocation side the overweight to emerging market was additive, however the underweight to government bonds detracted from the active performance as government yields dropped for most developed economies.

At the end of March we revised our strategic allocation. Within fixed income, we maintain our preference for sub-investment grade credit and inflation-linkers which we fund from global aggregate bonds. We also maintain our exposure to cash through a reduction in global aggregate bonds. Additionally we are slightly adjusting our fixed income and equity positioning to reduce regional views. As a result, at a total portfolio level we are neutral equities, approximately .3 to .35 years short duration, long sub-investment grade, long inflation-linked bonds and short global aggregate bonds.

Tactically, we reduced our duration by selling government bonds and redeploying into cash. We also trim our preference for small cap.

The portfolio risk stands at 7.1% while active risk is around 1.18%.

## Moderate

The Portfolio returned 2.03% over the month underperforming the reference benchmark by 0.62%. Longer term, Since Inception returns sits at 1.69% p.a.

March was a positive months for most risk assets with the positive correlation between equity and bonds persisting. All equities, with the exception of UK equity ended the month higher and government bonds rallied for most developed economies. While the drop in yields was positive for credit assets, the widening in spreads was detrimental. Within equities, emerging market outperformed developed, driven by strong contributions from China.

In line with the benchmarks the portfolios generated positive return over the month however, active performance was negative over the month. The Aggressive profile underperformed its benchmark by 0.95%, the Moderate by 0.62% and Conservative profile underperformed by 0.29%. Manager Selection was the biggest detractor, as the US Equity managers gave back the alpha generated in the year so far. On the asset allocation side the overweight to emerging market was additive, however the underweight to government bonds detracted from the active performance as government yields dropped for most developed economies.

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Tactically, we reduced our duration by selling government bonds and redeploying into cash. We also trim our preference for small cap.

The portfolio risk stands at 10.4% while active risk is around 1.19%.

## Aggressive

The Portfolio returned 1.92% over the month underperforming the reference benchmark by 0.95%. Longer term, Since Inception returns sits at 2.74% p.a.

March was a positive months for most risk assets with the positive correlation between equity and bonds persisting. All equities, with the exception of UK equity ended the month higher and government bonds rallied for most developed economies. While the drop in yields was positive for credit assets, the widening in spreads was detrimental. Within equities, emerging market outperformed developed, driven by strong contributions from China.

In line with the benchmarks the portfolios generated positive return over the month however, active performance was negative over the month. The Aggressive profile underperformed its benchmark by 0.95%, the Moderate by 0.62% and Conservative profile underperformed by 0.29%. Manager Selection was the biggest detractor, as the US Equity managers gave back the alpha generated in the year so far. On the asset allocation side the overweight to emerging market was additive, however the underweight to government bonds detracted from the active performance as government yields dropped for most developed economies.

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Tactically, we reduced our duration by selling government bonds and redeploying into cash. We also trim our preference for small cap.

The portfolio risk stands at 14.0% while active risk is around 1.25%.

# ESG Methodology and Assumptions

	Metric	Methodology	Interpretation
ESG	<b>ESG Score (Adjusted)</b>	Best scoring company within a peer group is be given a score of 10, the worst scoring one will be given a score of 0 and a normal distribution will be applied for the ones in between.	Indicates how well an issuer manages its most material ESG risks relative to sector peers (0 worst, 10 best). Makes company scores across different industries comparable.
	<b>Environment Score</b>	Weighted average of key issue scores falling under the Environmental Pillar.	Indicates how well an issuer manages environmental risks such as greenhouse gas emissions, deforestation etc. relative to sector peers. (0 worst, 10 best).
	<b>Social Score</b>	Weighted average of key issue scores falling under the Social Pillar.	Indicates how well an issuer deals with social issues such as working conditions, employee relations & diversity etc. relative to sector peers. (0 worst, 10 best).
	<b>Governance Score</b>	Weighted average of key issue scores falling under the Governance Pillar.	Indicates how well an issuer deals with governance matters such as executive pay, tax strategy etc. relative to sector peers. (0 worst, 10 best).
Carbon	<b>Emissions Financed (metric tonnes / \$ million total capital)</b>	$\sum \left( \frac{\text{Scope 1 \& 2 GHG Emissions}}{\text{Total Capital}} \right)$	Emissions normalized by total capital (total debt + total equity). With every million dollar invested x metric tons of emissions are financed.
	<b>Emissions Intensity (metric tonnes / \$ million sales)</b>	$\sum \left( \frac{\text{Scope 1 \& 2 GHG Emissions}}{\text{Total Sales}} \right)$	Emissions normalized by total sale. With every million dollar revenue x metric tons of emissions are financed.

ESG data for funds and individual securities has been sourced from MSCI. Aggregation at the sleeve/ total portfolio level has been done using BlackRock approved methodology.

*Additional Information can be found in the Glossary slides*

# Historical Scenario Test Analysis | Scenario Descriptions

Scenario	Scenario Description
<b>Recession</b>	Represents the largest market drawdown of the financial crisis of the period. December 2007 to March 2009.
<b>Crash 2008</b>	Performance during the year 2008.
<b>Crash 2007</b>	Performance during the year 2007.
<b>US Downgrade</b>	Period starts with 50% chance of US downgrade indication from S&P Standards and ends with Operational Twist announcement by Fed.
<b>2013 Fed Tapering</b>	Tapering Talks stirred the market since Congress Testimony by Bernanke with both equity and bond markets sold off.
<b>2003 Mortgage Sell Off</b>	Mortgage sell off of 2003.
<b>2003 Treasury Backup</b>	Backup of treasuries in 2003.
<b>China Market Crash</b>	Chinese stock market crash beginning with the popping of the stock market bubble on 12 June 2015.

# Scenario Test Analysis | Scenario Descriptions

Scenario	Scenario Description
<b>Stock Market Drop Global</b>	Global Stock markets are shocked with a one percentile drawdown.
<b>Interest Rate Backup Europe</b>	European Rates are shocked with a one percentile increase.
<b>Rising Inflation Europe</b>	European Inflation is shocked with a one percentile increase.
<b>Credit Spread Widening Europe</b>	Credit Spreads for European Corporate bonds are shocked with a one percentile Credit Spread Widening.
<b>Weak US Dollar</b>	US Dollar is shocked with one a percentile drop.
<b>Equity Volatility Increase</b>	Equity Volatility is shocked with one a percentile increase.

# Glossary of Terms | Risk Exposures

Term	Description
<b>Equities</b>	Measures the contribution to risk from holding equities in the portfolio.
<b>FX</b>	Measures the contribution to risk from unhedged non GBP currency exposure
<b>Specific</b>	Idiosyncratic risk; that is, risk due to the unique circumstances of a particular security and not the market as a whole.
<b>Alternatives</b>	Measures the contribution to risk from holding alternative asset classes such as property, hedge funds or illiquid assets.
<b>Interest Rates</b>	The Scheme's liabilities and fixed income assets are exposed to interest rate risk which means that the values of these assets will change when there is a change to the level of interest rates. This illustrates the contribution to risk from the Scheme's liabilities which aren't offset by fixed income (matching) assets.
<b>Spreads</b>	Measures the contribution to risk from holding corporate bonds and swaps in the portfolio.
<b>US Interest Rates</b>	Measures contribution to risk from exposure to US interest rates.
<b>Inflation</b>	The Scheme's liabilities and fixed income assets are exposed to inflation risk which means that the values of these assets will change when there is a change to inflation expectations. This illustrates the contribution to risk from the Scheme's liabilities which aren't offset by inflation linked (matching) assets.
<b>Others</b>	Measures risks that are not attributed to any of the factors listed above. It includes but is not limited to risks attributed to convexity, and cash & cash equivalents.

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