

# **Cogence Global Growth Portfolios** Monthly Strategy Report

BlackRock Multi-Asset Strategies & Solutions | May 2024

**cogence**

# Executive Summary

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

		01 Cautious			02 Balanced			03 Growth		
		Portfolio	Benchmark <sup>2</sup>	Active	Portfolio	Benchmark <sup>3</sup>	Active	Portfolio	Benchmark <sup>4</sup>	Active
Performance	Month	1.65%	1.68%	-0.03%	2.15%	2.47%	-0.32%	2.67%	3.27%	-0.60%
	3 Months	1.19%	1.07%	0.12%	1.90%	1.98%	-0.08%	2.62%	2.88%	-0.26%
	Year-to-date	2.69%	1.63%	1.06%	5.12%	4.02%	1.10%	7.65%	6.43%	1.22%
	Since inception <sup>5</sup>	2.40%	-	-	5.07%	-	-	7.65%	-	-
Risk	Ex-ante Risk <sup>1</sup>	7.69%	6.45%	1.59%	11.11%	9.72%	1.66%	14.78%	13.34%	1.78%
ESG	ESG Adjusted Score	6.39	6.29	0.09	6.75	6.48	0.27	7.14	6.65	0.49
	Carbon Emission Intensity	124.58	135.29	-7.92%	98.03	129.70	-24.42%	81.73	126.50	-35.39%

## Monthly Market Commentary

May saw a rebound in financial markets as US inflation softened from the first quarter, bolstering hopes for a delayed soft landing. However, markets struggled towards the latter half of the month as global inflation data was stickier than expected, leading to a renewed sell-off in sovereign bonds across various countries. US 10-Year Treasuries increased from 4.68% to 4.51% while UK 10-Year Gilts fell from 4.35% to 4.32%. This saw fixed income contributing a return of 0.46% to the Balanced profile. Due to the market maintaining a risk-on environment, Developed market equities generally had a positive month, with Japanese equities lagging US and European equities. Both the S&P 500 and European equities reached new highs, driven by more optimistic investor sentiment. Emerging market equities lagged Developed market equities. This saw equities contributing a return of 1.57% to the Balanced profile.

The portfolios generated positive returns over the month. Despite this, all profiles marginally underperformed their respective benchmarks, Cautious by -0.03%, Balanced by -0.32% and Growth by -0.60%. However, YTD, active performance remains strong with Cautious profile outperforming by 1.06%, Balanced by 1.10% and Growth by 1.22%.

Both Manager Selection and Asset Allocation detracted. On manager selection, BLK US advantage fund was the biggest detractor followed by continental European fund, however GQG US equity and Schroders EM equity made small contributions. On the asset allocation side, overweight to US, small cap and Emerging Market Debt were beneficial for the active performance whereas underweight to continental European equity and overweight to EM detracted. Finally, as US equity market rallied after 4 PM UK time, iShares MSCI USA shows a large negative contribution to active performance (C. 30bps for Balanced, 50bps for Growth and 5bps for Cautious) which we expect will reverse on the first trading day in June.

In May, we tactically tilted the portfolios to reduce our position in MSCI Small Cap equities by 1.5% across all three profiles. This is driven by our view that volatility is likely to pick up in the run-up to US elections, as well as the tailwind of declining US government bond yields that has recently supported Small Caps is unlikely to persist. In turn, we add 0.5% to cash (BlackRock's ICS USD LEAF fund) as well as 1% in 1-3 and/or 3-7 Year US Treasuries across all three profiles. In the conservative profile, we add 1% to 1-3 Year US Treasuries and 1% in 3-7 Year US Treasuries in the Aggressive profile. In the Moderate profile, we add 0.8% and 0.2% in 1-3 and 3-7 Year US Treasuries respectively.

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

# Asset Allocation Review

Description	Isin	Cautious	Balanced	Growth
<b>Fixed Income</b>		<b>70.50%</b>	<b>45.50%</b>	<b>20.50%</b>
Global Agg Bonds	iShares Core Global Aggregate Bond UCITS ETF	14.00%	6.50%	0.00%
Global Government Bonds	iShares Global Government Bond UCITS ETF	11.00%	6.00%	0.00%
Euro Government Bonds	iShares Euro Government Bond Flex UCITS ETF (EUR Hedged)	7.20%	4.80%	2.40%
US Short Treasuries	iShares \$ Treasury Bond 1-3yr ETF	3.70%	2.10%	0.60%
US Short Treasuries	iShares USD Treasury Bond 3-7yr UCITS ETF USD	4.00%	3.00%	1.50%
US Short Treasuries	iShares USD Treasury Bond 7-10yr UCITS ETF USD	2.10%	1.60%	1.00%
US Treasuries	iShares USD Treasury Bond 20+ yr UCITS ETF USD	0.50%	0.00%	0.00%
UK Gilts	iShares Core UK Gilts UCITS ETF USD	0.00%	0.00%	0.00%
Global Inflation Linked Bonds	iShares Global Inflation-Linked Bond Index Fund	0.00%	0.00%	0.00%
Global Credit	PGIM Global Investment Grade	15.00%	10.00%	5.00%
Euro Credit	iShares Core Euro Corp Bond UCITS (USD Hedged)	2.00%	2.00%	2.00%
Global High Yield	Wellington Global High Yield Bond Fund	1.50%	1.50%	1.50%
EMD HC	Payden Emerging Market Debt HC Fund	4.00%	4.00%	4.00%
EMD LC	Neuberger Berman Emerging Market Debt Local Currency Fund	1.00%	1.00%	1.00%
China Bonds	iShares China CNY Bond UCITS ETF (USD Hedged)	4.50%	3.00%	1.50%
<b>Equities</b>		<b>27.00%</b>	<b>52.00%</b>	<b>77.00%</b>
US Equities	iShares MSCI USA ESG Enhanced UCITS ETF	2.00%	12.00%	20.40%
US Equities	BlackRock Advantage US Equity Fund	9.00%	12.20%	16.30%
US Equities	GQG US Equity Fund	6.30%	8.40%	10.90%
UK Equities	iShares FTSE 100 ETF, USD Un-hedged	0.90%	1.70%	2.60%
European Equities	BGF Continental European Flexible Fund, USD Unhedged	2.00%	5.30%	8.60%
Japan Equities	iShares MSCI Japan ESG Enhanced UCITS ETF (Unhedged)	1.70%	3.30%	4.90%
Emerging Equities	iShares MSCI EM ESG Enhanced UCITS ETF	1.00%	1.00%	1.00%
Emerging Equities	Schroders ISF Emerging Markets Fund	2.80%	5.60%	8.50%
Global Small Cap Equities	American Century Global Small Cap Equity Fund	0.00%	0.00%	0.00%
World Value	iShares Edge MSCI World Value ETF	1.30%	2.50%	3.80%
World Small Cap	iShares MSCI World Small Cap ETF	0.00%	0.00%	0.00%
World Minimum Volatility	iShares Edge MSCI World Minimum Volatility ESG...	0.00%	0.00%	0.00%
<b>Cash</b>		<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>
USD Cash	BlackRock ICS US Dollar Liquid Environmentally Aware Fund	2.50%	2.50%	2.50%
<b>Alternatives</b>		<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Gold	iShares Physical Gold ETF	0.00%	0.00%	0.00%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: BlackRock, 31 May 2024. 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.

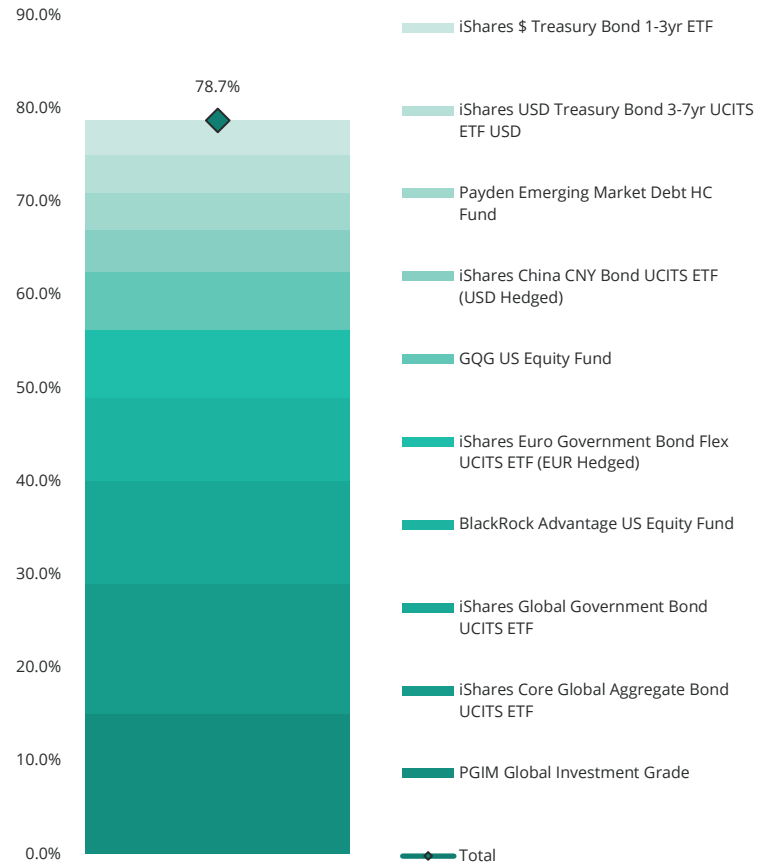
# Asset Allocation Review

Description		Isin	Cautious	Balanced	Growth
<b>Fixed Income</b>			<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>
Global Agg Bonds	iShares Core Global Aggregate Bond UCITS ETF	IE00BZ043R46	0.00%	0.00%	0.00%
Global Government Bonds	iShares Global Government Bond UCITS ETF	IE00BK7Y2P34	0.00%	0.00%	0.00%
Euro Government Bonds	iShares Euro Government Bond Flex UCITS ETF (EUR Hedged)	IE00071ZFCL5	0.00%	0.00%	0.00%
US Short Treasuries	iShares \$ Treasury Bond 1-3yr ETF	IE00B3VWN179	1.00%	0.80%	0.00%
US Short Treasuries	iShares USD Treasury Bond 3-7yr UCITS ETF USD	IE00B3VWN393	0.00%	0.20%	1.00%
US Short Treasuries	iShares USD Treasury Bond 7-10yr UCITS ETF USD	IE00B3VWN518	0.00%	0.00%	0.00%
US Treasuries	iShares USD Treasury Bond 20+ yr UCITS ETF USD	IE00BFM6TC58	0.00%	0.00%	0.00%
Global Credit	PGIM Global Investment Grade	IE00BFLQZJ56	0.00%	0.00%	0.00%
Euro Credit	iShares Core Euro Corp Bond UCITS (USD Hedged)	IE00093GOJ04	0.00%	0.00%	0.00%
Global High Yield	Wellington Global High Yield Bond Fund	IE00BL5GZN70	0.00%	0.00%	0.00%
EMD HC	Payden Emerging Market Debt HC Fund	IE00BHX5Q577	0.00%	0.00%	0.00%
EMD LC	Neuberger Berman Emerging Market Debt Local Currency Fund	IE00BMY4BK85	0.00%	0.00%	0.00%
China Bonds	iShares China CNY Bond UCITS ETF (USD Hedged)	IE00BKT6RT64	0.00%	0.00%	0.00%
<b>Equities</b>			<b>-1.50%</b>	<b>-1.50%</b>	<b>-1.50%</b>
US Equities	iShares MSCI USA ESG Enhanced UCITS ETF	IE00BHZPJ908	0.00%	0.00%	0.00%
US Equities	BlackRock Advantage US Equity Fund	IE00BFZP7V49	0.00%	0.00%	0.00%
US Equities	GQG US Equity Fund	IE00BN4GYG85	0.00%	0.00%	0.00%
UK Equities	iShares FTSE 100 ETF, USD Un-hedged	IE0005042456	0.00%	0.00%	0.00%
European Equities	BGF Continental European Flexible Fund, USD Unhedged	LU2315844121	0.00%	0.00%	0.00%
Japan Equities	iShares MSCI Japan ESG Enhanced UCITS ETF (Unhedged)	IE00BHZPJ452	0.00%	0.00%	0.00%
Emerging Equities	iShares MSCI EM ESG Enhanced UCITS ETF	IE00BHZPJ239	0.00%	0.00%	0.00%
Emerging Equities	Schroders ISF Emerging Markets Fund	LU2049715449	0.00%	0.00%	0.00%
World Value	iShares Edge MSCI World Value ETF	IE00BP3QZB59	0.00%	0.00%	0.00%
World Small Cap	iShares MSCI World Small Cap ETF	IE00BF4RFH31	-1.50%	-1.50%	-1.50%
<b>Cash</b>			<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>
USD Cash	BlackRock ICS US Dollar Liquid Environmentally Aware Fund	IE00BH3Z9035	0.50%	0.50%	0.50%
<b>Alternatives</b>			<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

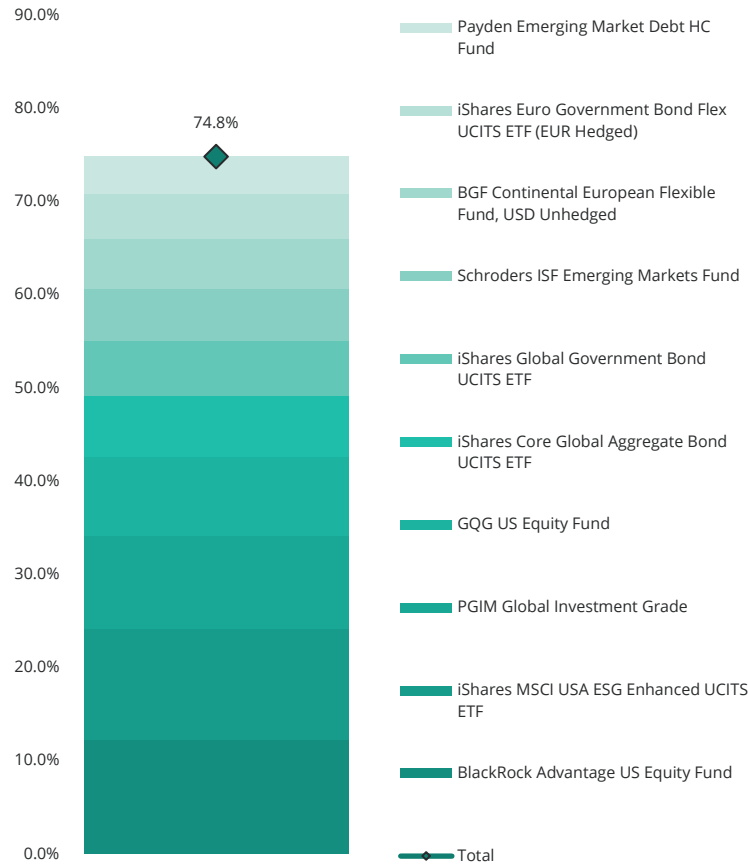
Source: BlackRock, 31 May 2024. Performance and valuations rounded where appropriate, hence totals may not sum. \*Positions shown are as off end of the month and included market drift from the last rebalance.

# Asset Allocation | Top 10 Holdings

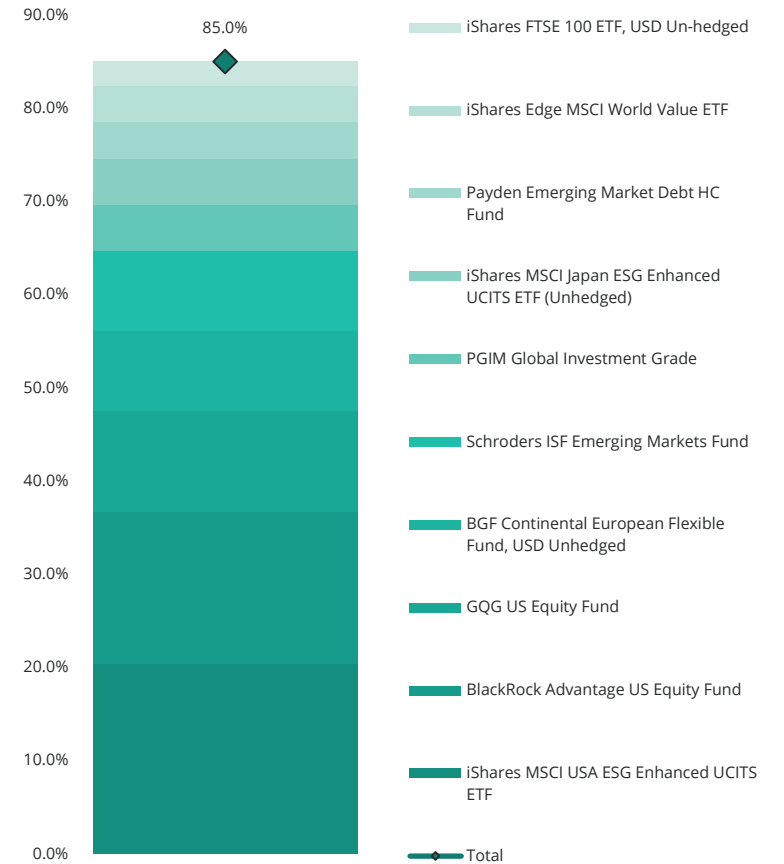
## Cautious



## Balanced



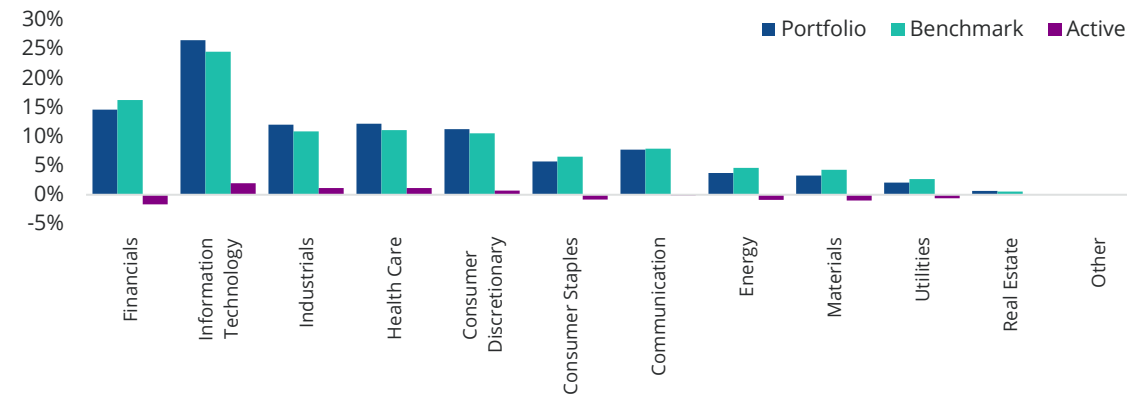
## Growth



# Asset Allocation Review | Look-Through Analysis

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

## Equities: Sector allocation

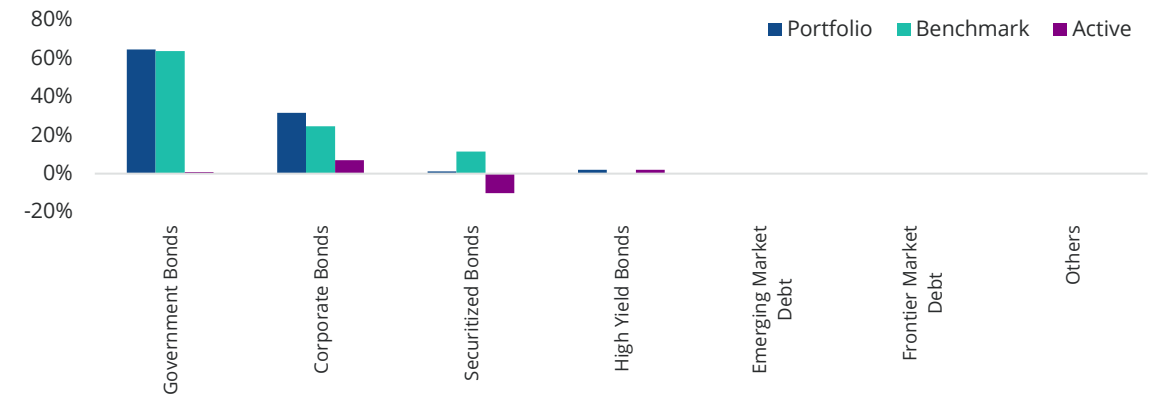


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

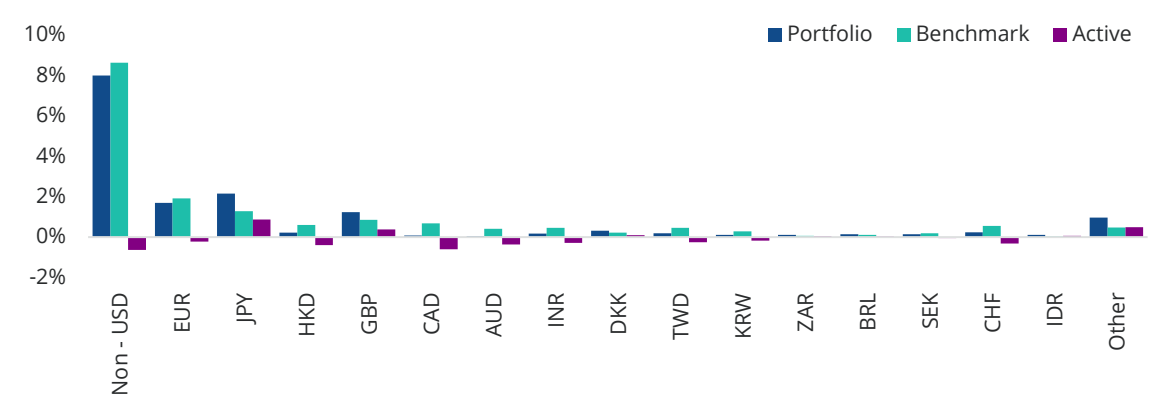
## Total Portfolio: Country allocation

Region	Portfolio	Benchmark	Active
North America	43.2%	48.7%	-5.5%
Europe & UK	30.8%	23.4%	7.3%
Japan	5.4%	8.8%	-3.5%
Pacific ex-Japan	0.9%	2.2%	-1.3%
Emerging Market	9.1%	13.5%	-4.4%
Frontier Market	0.3%	0.7%	-0.4%
Cash & Forward FX	2.1%	0.0%	2.1%
Others	8.2%	2.6%	5.6%
<b>Total Portfolio</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Fixed Income: Issuer Type



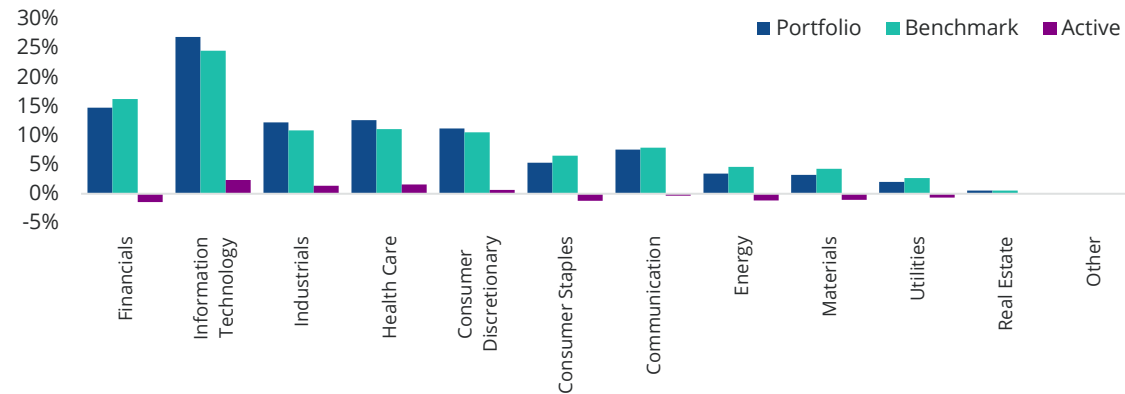
## Total Portfolio: Currency allocation



# Asset Allocation Review | Look-Through Analysis

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

## Equities: Sector allocation

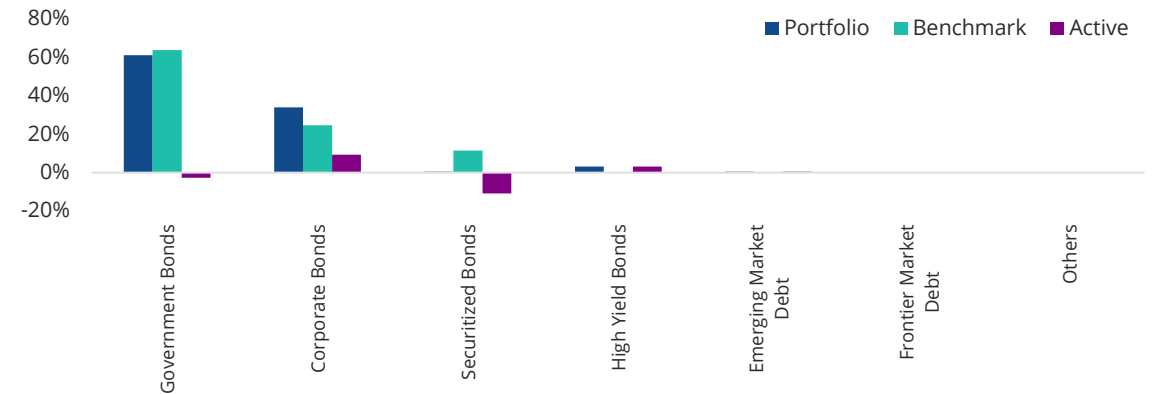


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

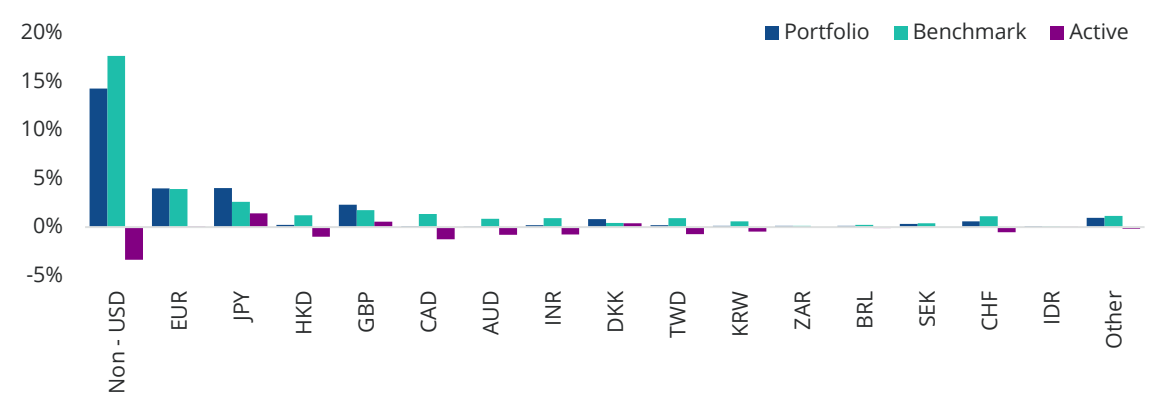
## Total Portfolio: Country allocation

Region	Portfolio	Benchmark	Active
North America	43.9%	53.8%	-9.9%
Europe & UK	30.2%	21.0%	9.2%
Japan	5.7%	7.6%	-2.0%
Pacific ex-Japan	0.6%	2.2%	-1.6%
Emerging Market	6.4%	12.3%	-5.9%
Frontier Market	0.3%	0.7%	-0.4%
Cash & Forward FX	2.3%	0.0%	2.3%
Others	10.6%	2.3%	8.4%
<b>Total Portfolio</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Fixed Income: Issuer Type



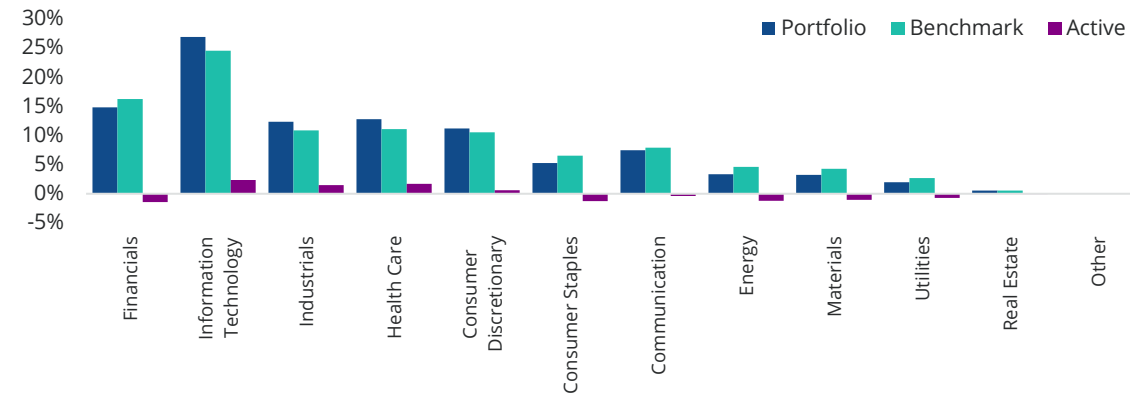
## Total Portfolio: Currency allocation



# Asset Allocation Review | Look-Through Analysis

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

## Equities: Sector allocation

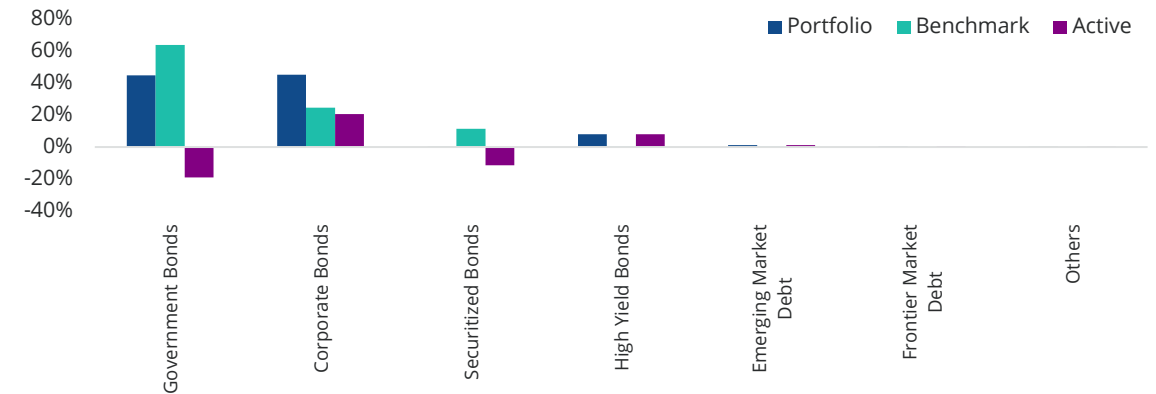


The allocations are scaled to the portfolio's total equity/fixed income allocation. Figures are based on unaudited values.

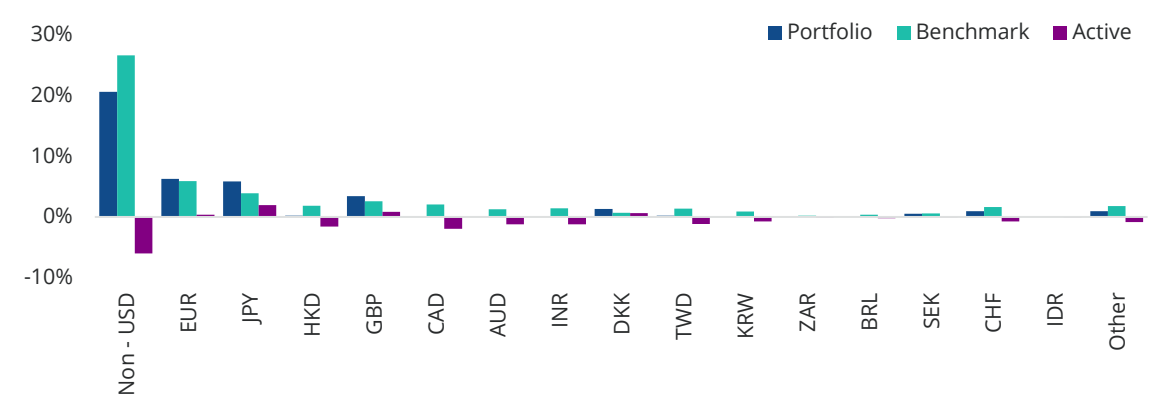
## Total Portfolio: Country allocation

Region	Portfolio	Benchmark	Active
North America	43.8%	59.0%	-15.2%
Europe & UK	30.2%	18.6%	11.5%
Japan	6.0%	6.4%	-0.5%
Pacific ex-Japan	0.4%	2.2%	-1.8%
Emerging Market	3.8%	11.1%	-7.3%
Frontier Market	0.2%	0.6%	-0.4%
Cash & Forward FX	2.4%	0.0%	2.4%
Others	13.2%	2.0%	11.2%
<b>Total Portfolio</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Fixed Income: Issuer Type



## Total Portfolio: Currency allocation

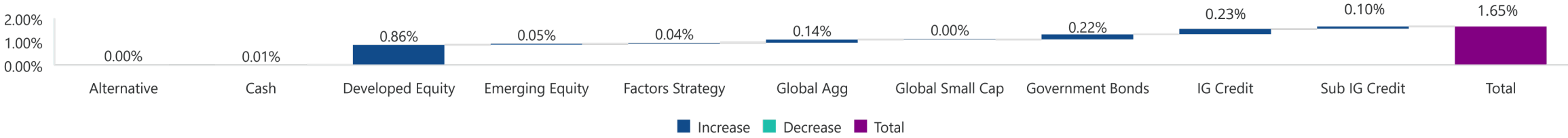




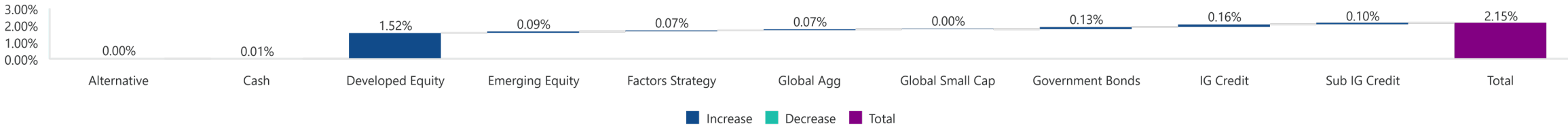
# Performance Contribution | 1 Month

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

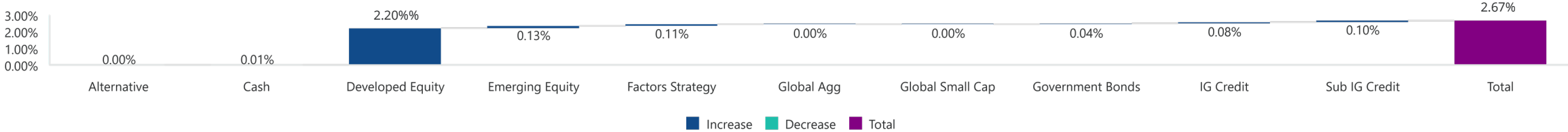
## Cautious



## Balanced



## Growth

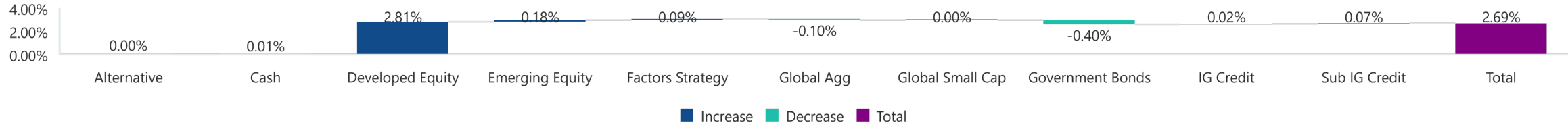


Note: Attribution methodology calculates the active performance under three headings. Asset Allocation includes any active tilts applied using underlying pooled funds, futures or currency forwards. Performance is shown gross of Fee, but some components of the performance may be net when the management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

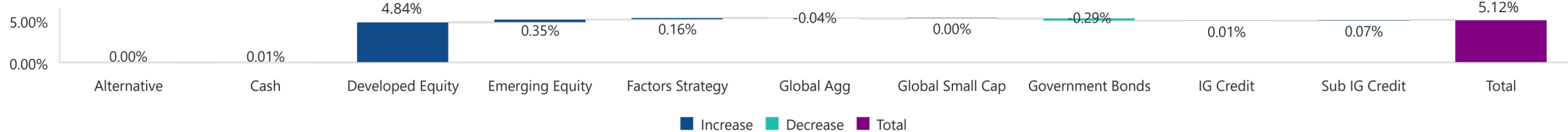
# Performance Contribution | Year to Date

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

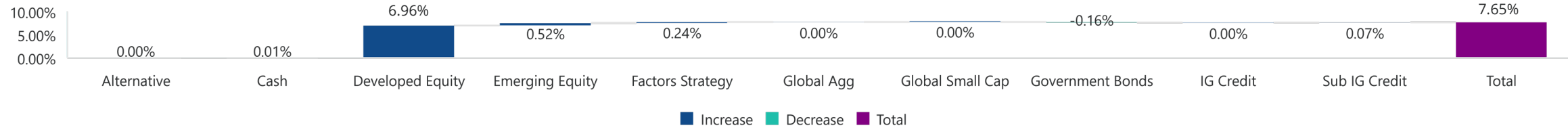
## Cautious



## Balanced



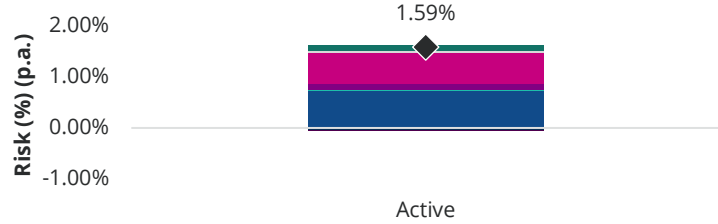
## Growth



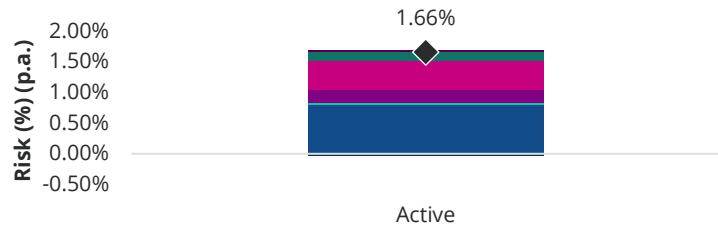
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# Risk Review | Absolute & Relative

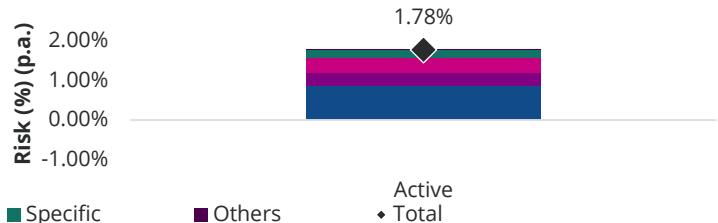
## Cautious



## Balanced



## Growth

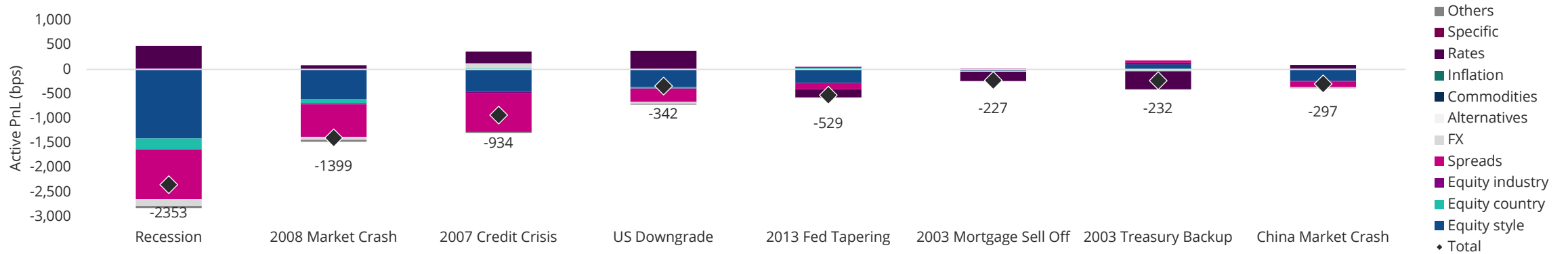


■ Equity style  
 ■ Equity country  
 ■ Equity industry  
 ■ Spreads  
 ■ FX  
 ■ Alternatives  
 ■ Rates  
 ■ Specific  
 ■ Others  
 ◆ Total

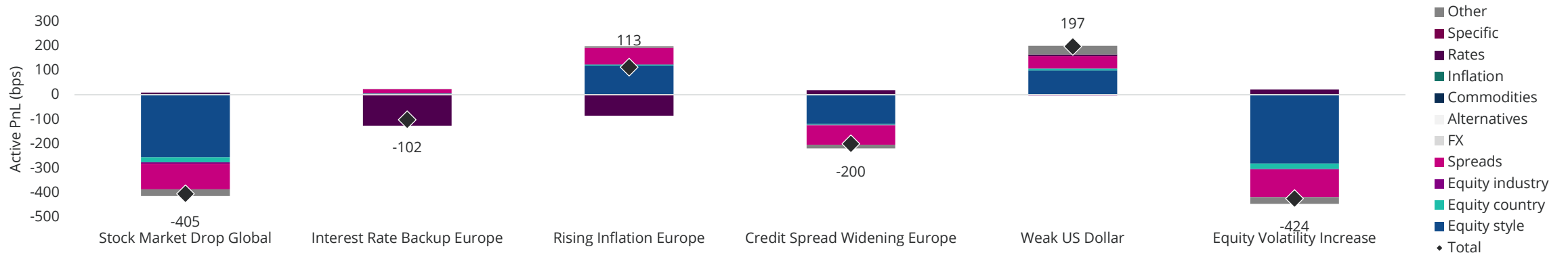
# Risk Review | Scenario analysis

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 **Cautious Model Portfolio**

## Historical scenarios



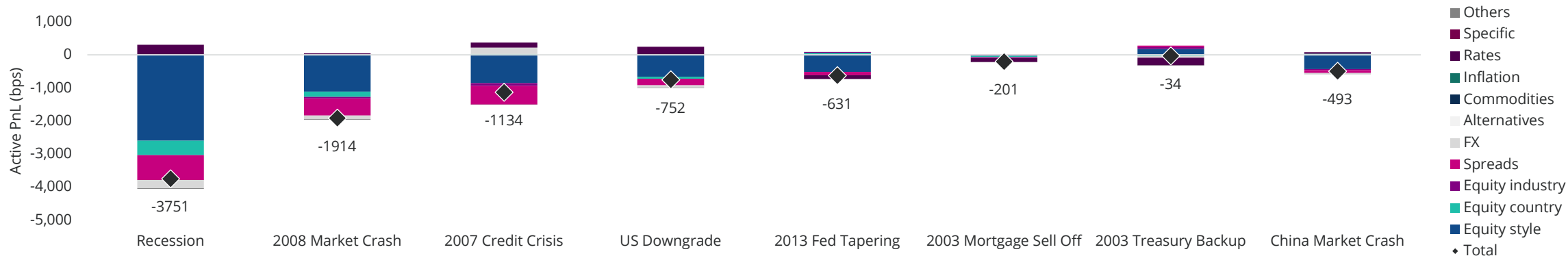
## Forward-looking scenarios



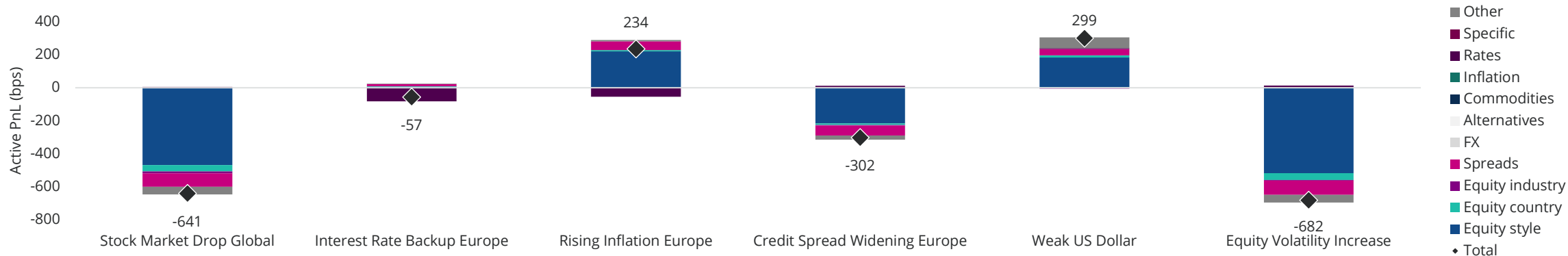
# Risk Review | Scenario analysis

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 **Balanced Model Portfolio**

## Historical scenarios



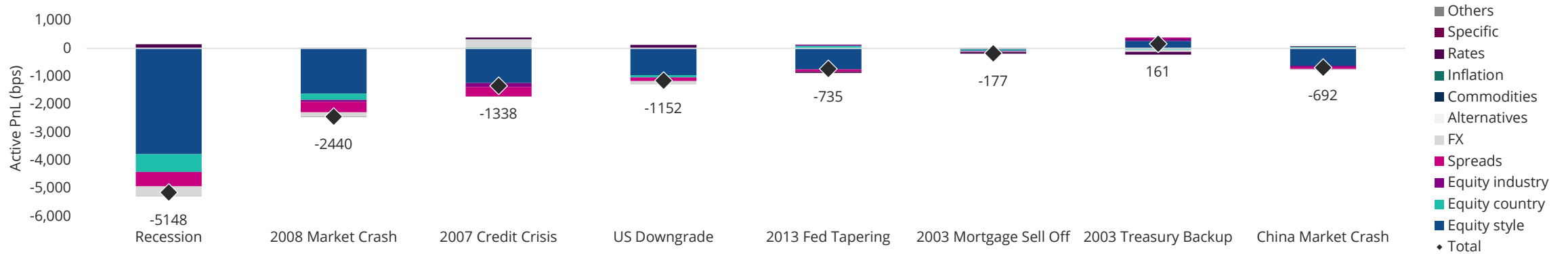
## Forward-looking scenarios



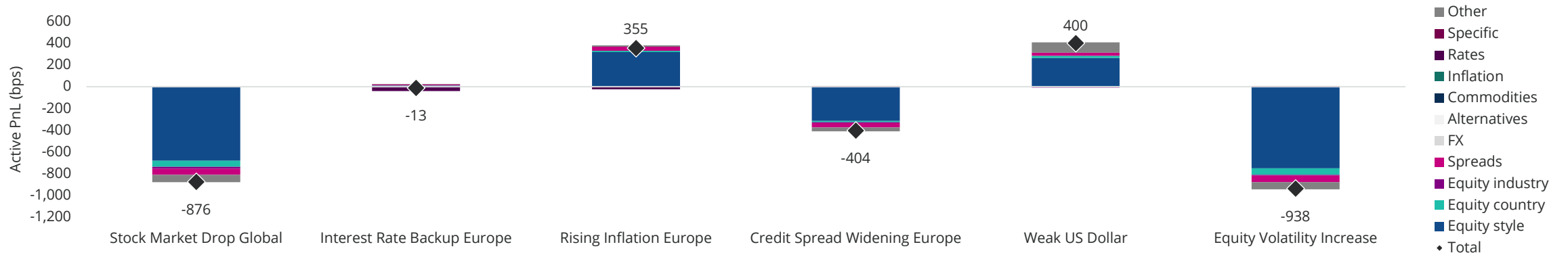
# Risk Review | Scenario analysis

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 **Growth Model Portfolio**

## Historical scenarios

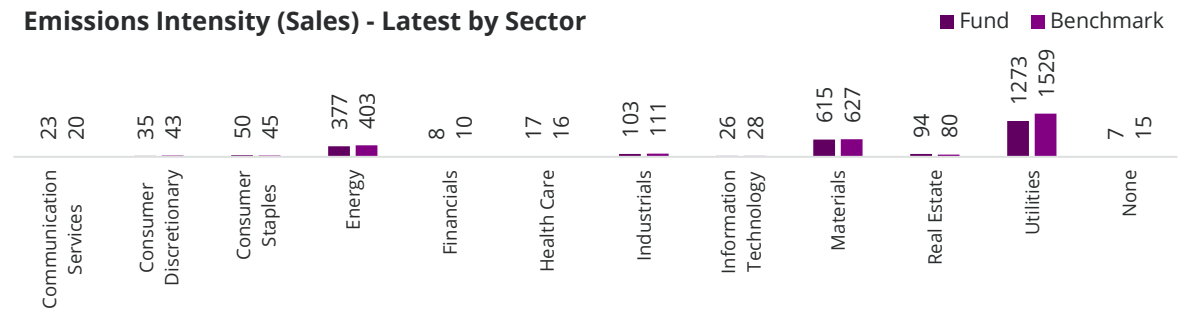
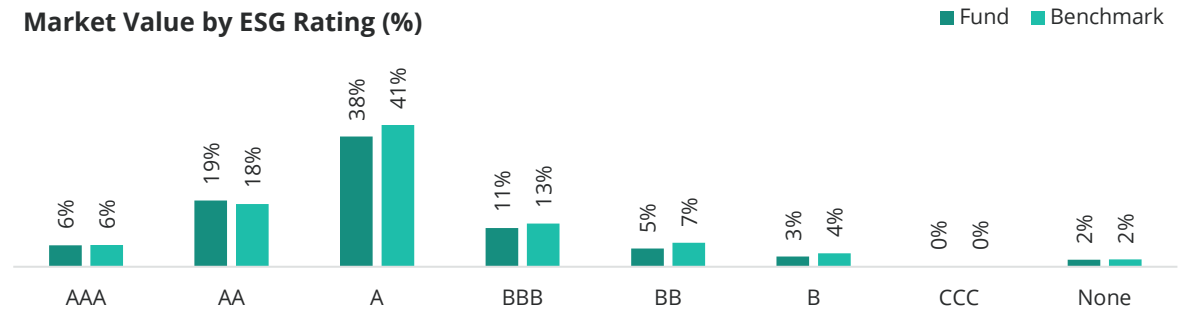
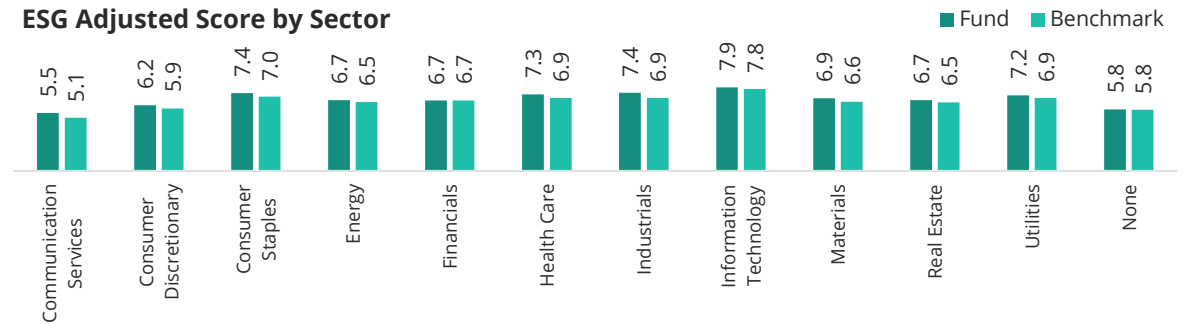


## Forward-looking scenarios



# Carbon and ESG Reporting | Cautious Model Portfolio

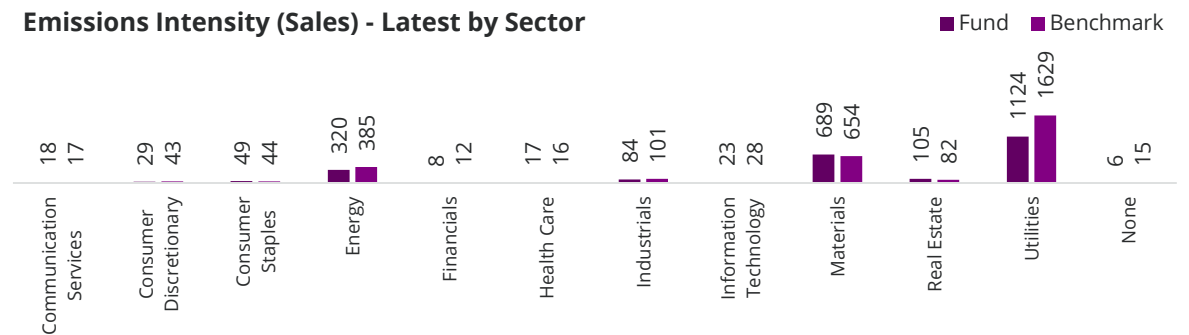
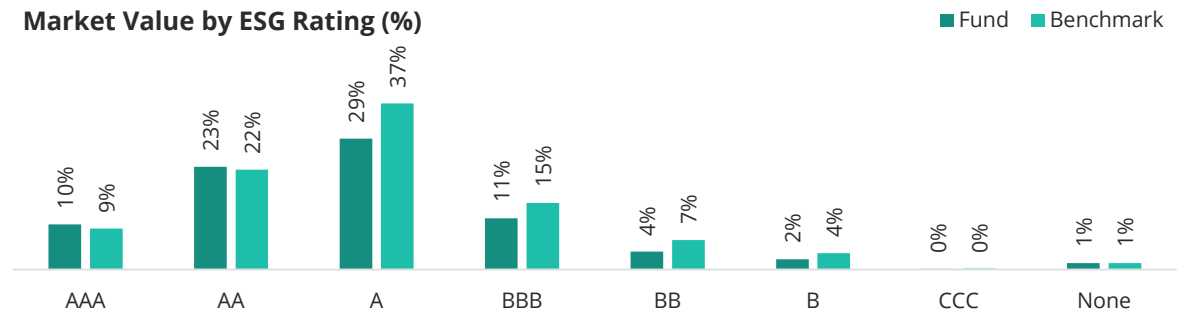
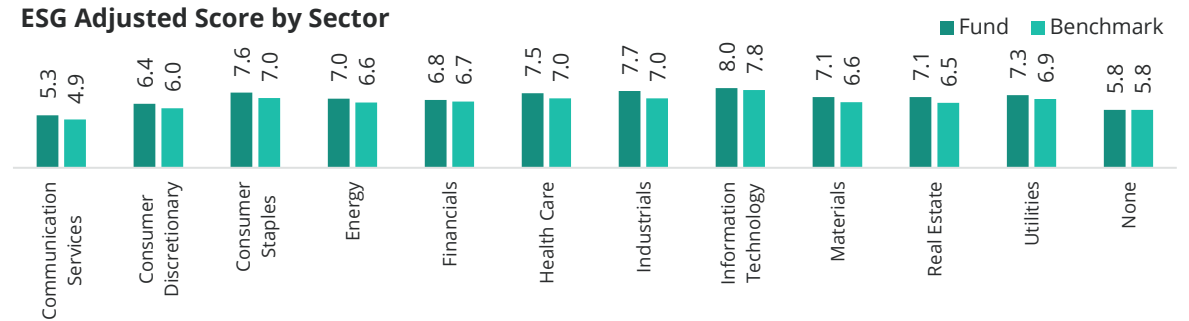
ESG	Portfolio Benchmark Active							
	<b>ESG Coverage</b> % Market Value	82.92%	89.30%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	6.39	6.29	0.09				
	<b>Environment Score</b> 0 (worst) - 10 (best)	6.22	6.14	0.07				
	<b>Social Score</b> 0 (worst) - 10 (best)	6.19	6.21	-0.03				
	<b>Governance Score</b> 0 (worst) - 10 (best)	6.24	6.23	0.01				
<b>Active Risk Contribution by ESG Rating (bps)</b>								
	-68 AAA	-137 AA	-126 A	-95 BBB	-28 BB	-20 B	-1 CCC	626 None
Carbon								
		<b>Fund</b>	<b>Benchmark</b>	<b>Active</b>				
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	80.23	96.88	-17.18%				
<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	124.58	135.29	-7.92%					



Source: Based on portfolio holdings data at 31 May 2024 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 ©2024 MSCI ESG Research LLC. Reproduced by permission; no further distribution.

# Carbon and ESG Reporting | Balanced Model Portfolio

ESG	Portfolio Benchmark Active							
	<b>ESG Coverage</b> % Market Value	79.27%	92.83%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	6.75	6.48	0.27				
	<b>Environment Score</b> 0 (worst) - 10 (best)	6.42	6.32	0.10				
	<b>Social Score</b> 0 (worst) - 10 (best)	5.89	5.83	0.06				
	<b>Governance Score</b> 0 (worst) - 10 (best)	6.10	6.02	0.09				
<b>Active Risk Contribution by ESG Rating (bps)</b>			931					
	-125	-219	-205	-147	-44	-30	-2	
	AAA	AA	A	BBB	BB	B	CCC	None
Carbon								
		<b>Fund</b>	<b>Benchmark</b>	<b>Active</b>				
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	69.65	96.86	-28.09%				
<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	98.03	129.70	-24.42%					



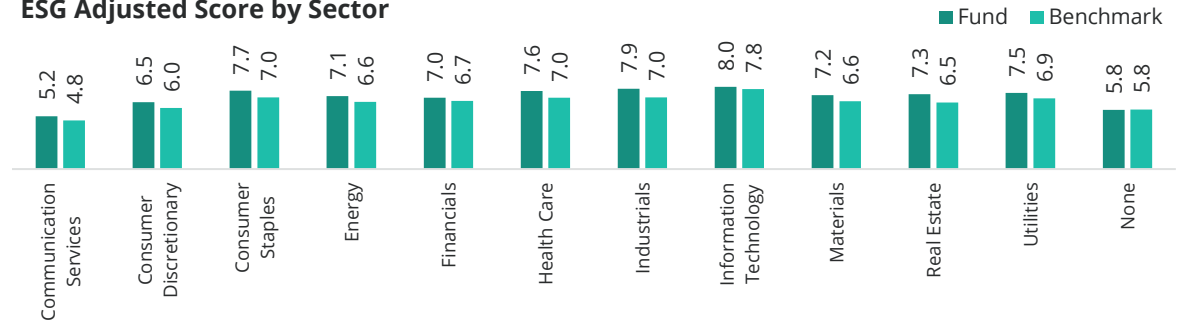
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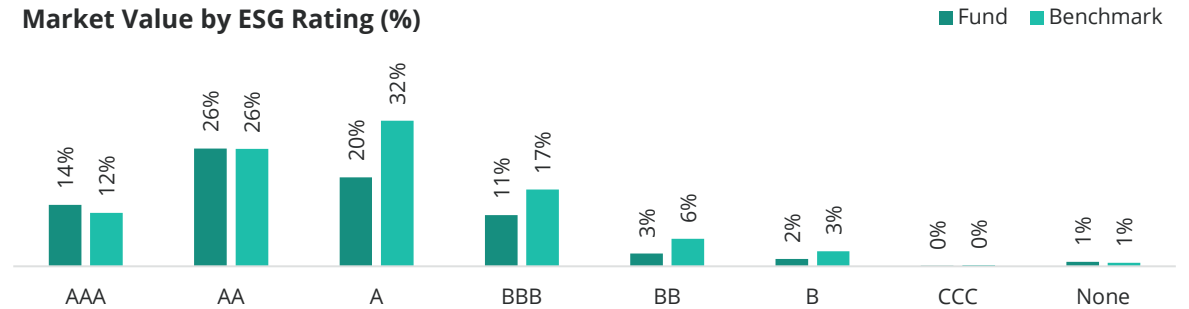
# Carbon and ESG Reporting | Growth Model Portfolio

ESG	Portfolio Benchmark Active							
	<b>ESG Coverage</b> % Market Value	75.04%	96.35%					
	<b>ESG Adjusted Score</b> 0 (worst) - 10 (best)	7.14	6.65	0.49				
	<b>Environment Score</b> 0 (worst) - 10 (best)	6.63	6.49	0.14				
	<b>Social Score</b> 0 (worst) - 10 (best)	5.56	5.47	0.08				
	<b>Governance Score</b> 0 (worst) - 10 (best)	5.95	5.82	0.13				
<b>Active Risk Contribution by ESG Rating (bps)</b>			1190					
	-174	-286	-274	-189	-58	-40	-3	
	AAA	AA	A	BBB	BB	B	CCC	None
Carbon								
		<b>Fund</b>	<b>Benchmark</b>	<b>Active</b>				
	<b>Emissions Intensity (Tot. Capital) - Latest</b> (metric tonnes / \$ million total capital)	64.89	96.85	-33.00%				
<b>Emissions Intensity (Sales) - Latest</b> (metric tonnes / \$ million total sales)	81.83	126.50	-35.39%					

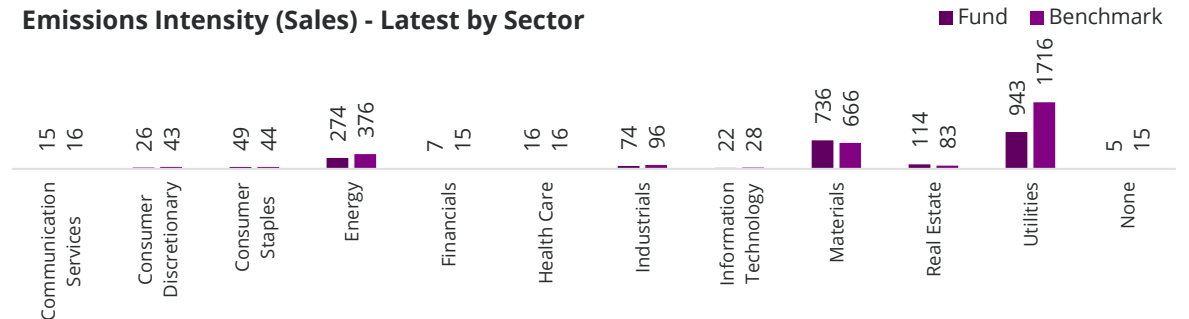
ESG Adjusted Score by Sector



Market Value by ESG Rating (%)



Emissions Intensity (Sales) - Latest by Sector



Source: Based on portfolio holdings data at 28 March 2024 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 ©2024 MSCI ESG Research LLC. Reproduced by permission; no further distribution.

**Supporting Material**

**cogence**

# Portfolio Commentary

## Cautious

The Cautious portfolio returned 1.65% over the month underperforming its benchmark by -0.03%. On a rolling 3 month basis the portfolio has outperformed its benchmark by 0.12%. Longer term, Since Inception returns sits at 2.40% p.a May saw a rebound in financial markets as US inflation softened from the first quarter, bolstering hopes for a delayed soft landing. However, markets struggled towards the latter half of the month as global inflation data was stickier than expected, leading to a renewed sell-off in sovereign bonds across various countries. US 10-Year Treasuries increased from 4.68% to 4.51% while UK 10-Year Gilts fell from 4.35% to 4.32%. This saw fixed income contributing a return of 0.70%. Due to the market maintaining a risk-on environment, Developed market equities generally had a positive month, with Japanese equities lagging US and European equities. Both the S&P 500 and European equities reached new highs, driven by more optimistic investor sentiment. Emerging market equities lagged Developed market equities. This saw equities contributing a return of 0.87%. The portfolios generated positive returns over the month. Despite this, the Cautious profile marginally underperformed its benchmarks by -0.03%. Both Manager Selection and Asset Allocation detracted. On manager selection, BLK US advantage fund was the biggest detractor followed by continental European fund, however GQG US equity and Schroders EM equity made small contributions. On the asset allocation side, overweight to US, small cap and Emerging Market Debt were beneficial for the active performance whereas underweight to continental European equity and overweight to EM detracted. Finally, as US equity market rallied after 4 PM UK time, iShares MSCI USA shows a large negative contribution to active performance (5bps for Cautious) which we expect will reverse on the first trading day in June. In May, we tactically tilted the portfolios to reduce our position in MSCI Small Cap equities by 1.5% across all three profiles. This is driven by our view that volatility is likely to pick up in the run-up to US elections, as well as the tailwind of declining US government bond yields that has recently supported Small Caps is unlikely to persist. In turn, we add 0.5% to cash (BlackRock's ICS USD LEAF fund). In the Cautious profile, we add 1% to 1-3 Year US Treasuries. The portfolio risk stands at 7.69% while active risk is around 1.59%.

## Balanced

The Balanced portfolio returned 2.15% over the month underperforming its benchmark by -0.32%. On a rolling 3 month basis the portfolio has underperformed its benchmark by -0.08%. Longer term, Since Inception returns sits at 5.07% p.a May saw a rebound in financial markets as US inflation softened from the first quarter, bolstering hopes for a delayed soft landing. However, markets struggled towards the latter half of the month as global inflation data was stickier than expected, leading to a renewed sell-off in sovereign bonds across various countries. US 10-Year Treasuries increased from 4.68% to 4.51% while UK 10-Year Gilts fell from 4.35% to 4.32%. This saw fixed income contributing a return of 0.46%. Due to the market maintaining a risk-on environment, Developed market equities generally had a positive month, with Japanese equities lagging US and European equities. Both the S&P 500 and European equities reached new highs, driven by more optimistic investor sentiment. Emerging market equities lagged Developed market equities. This saw equities contributing a return of 1.57%. The portfolios generated positive returns over the month. Despite this, the Balanced profile marginally underperformed its benchmarks by -0.32%. However, YTD, active performance remains strong with Balanced profile outperforming by 1.10%. Both Manager Selection and Asset Allocation detracted. On manager selection, BLK US advantage fund was the biggest detractor followed by continental European fund, however GQG US equity and Schroders EM equity made small contributions. On the asset allocation side, overweight to US, small cap and Emerging Market Debt were beneficial for the active performance whereas underweight to continental European equity and overweight to EM detracted. Finally, as US equity market rallied after 4 PM UK time, iShares MSCI USA shows a large negative contribution to active performance (30bps for Balanced) which we expect will reverse on the first trading day in June. In May, we tactically tilted the portfolios to reduce our position in MSCI Small Cap equities by 1.5%. This is driven by our view that volatility is likely to pick up in the run-up to US elections, as well as the tailwind of declining US government bond yields that has recently supported Small Caps is unlikely to persist. In turn, we add 0.5% to cash (BlackRock's ICS USD LEAF fund) as well as 1% in 1-3 and/or 3-7 Year US Treasuries. In , we add 0.8% and 0.2% in 1-3 and 3-7 Year US Treasuries respectively. The portfolio risk stands at 11.11% while active risk is around 1.66%.

## Growth

The Growth portfolio returned 2.67% over the month underperforming its benchmark by -0.60%. On a rolling 3 month basis the portfolio has underperformed its benchmark by -0.26%. Longer term, Since Inception returns sits at 7.65% p.a May saw a rebound in financial markets as US inflation softened from the first quarter, bolstering hopes for a delayed soft landing. However, markets struggled towards the latter half of the month as global inflation data was stickier than expected, leading to a renewed sell-off in sovereign bonds across various countries. US 10-Year Treasuries increased from 4.68% to 4.51% while UK 10-Year Gilts fell from 4.35% to 4.32%. This saw fixed income contributing a return of 0.22%. Due to the market maintaining a risk-on environment, Developed market equities generally had a positive month, with Japanese equities lagging US and European equities. Both the S&P 500 and European equities reached new highs, driven by more optimistic investor sentiment. Emerging market equities lagged Developed market equities. This saw equities contributing a return of 2.28% The portfolios generated positive returns over the month. Despite this, the Growth profile marginally underperformed its benchmarks by -0.60%. However, YTD, active performance remains strong with Growth profile outperforming by 1.22%. Both Manager Selection and Asset Allocation detracted. On manager selection, BLK US advantage fund was the biggest detractor followed by continental European fund, however GQG US equity and Schroders EM equity made small contributions. On the asset allocation side, overweight to US, small cap and Emerging Market Debt were beneficial for the active performance whereas underweight to continental European equity and overweight to EM detracted. Finally, as US equity market rallied after 4 PM UK time, iShares MSCI USA shows a large negative contribution to active performance (50bps for Growth) which we expect will reverse on the first trading day in June. In May, we tactically tilted the portfolios to reduce our position in MSCI Small Cap equities by 1.5%. This is driven by our view that volatility is likely to pick up in the run-up to US elections, as well as the tailwind of declining US government bond yields that has recently supported Small Caps is unlikely to persist. In turn, we add 0.5% to cash (BlackRock's ICS USD LEAF fund) as well as 1% in 1-3 and/or 3-7 Year US Treasuries. In the Growth profile, we add 1% in 3-7 Year US Treasuries. The portfolio risk stands at 14.78% while active risk is around 1.78%.

Limited Distribution

# 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>2008 Market Crash</b>	Performance during the year 2008.
<b>2007 Credit Crisis</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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