



Clwyd Pension Fund

Economic and Market Update

Q4 2021

Monthly Capital Market Monitor (UK)

December 2021

2021 ends optimistically as variant scare recedes

Global equity markets recovered in December from the previous month's slump, ending the year on a positive note. The initial scare over the latest Covid-19 variant quickly dissipated as it appears to be neither as severe nor as vaccine resistant as initially feared. As a result, most countries have not imposed major restrictions. Equity investors continued to focus on the strong earnings outlook for the year ahead now that the economic recovery is less likely to be disrupted by Covid-19. Those equity markets that suffered most in November such as the UK and Europe outperformed the US. Value outperformed growth stocks in this cyclical rebound. Emerging markets proved to be an exception in December, posting another lackluster month. For the 2021 calendar year, energy, real estate, technology and financial services were the best performing sectors, while Telecommunications lagged.

Economic data indicated that the recovery remained well on track with forward-looking purchasing manager indices still in expansion territory, although gradually receding from their recovery peaks. Inflation remained high, prompting major central banks to further accelerate their exit strategies from expansive monetary policies. The Federal Reserve announced a doubling in the pace of its tapering from January 2022, while the Bank of England, Hungary and Norway increased short-dated rates.

The US avoided a year-end fiscal cliff after Congress voted to extend the debt ceiling beyond next year's mid-term elections. However, Biden's Build Back Better plan got stuck in the Senate as moderate Democrats push for a more modest bill amid concerns about inflation and overall debt levels.

10-year yields in most major regions ended the month only moderately higher, but yields rose significantly at the shorter end of the curve for both the US and UK as markets priced in a faster pace of monetary tightening. The Bank of England (BOE) announced it would raise the base rate by 15bps to 0.25%. Both yield curves flattened as a consequence, reflecting concerns that central banks may move too fast next year. Investment grade credit spreads hardly changed, but high yield spreads declined considerably, recovering from the high yield sell-off in late November.

Geopolitical events did not appear to have an impact on broad markets but reminded investors of short term tail risks from politics. NATO and Russia continued to face off over Ukraine, most western countries announced diplomatic boycotts of China's Winter Olympics. The election of a leftwing candidate in Chile led to a collapse in its stock market, while the self-inflicted collapse of the Turkish Lira intensified after its politicized central bank cut rates further.

Energy prices recovered with oil rising by almost 11% after last month's sell-off as fears from the Covid-19 variant receded. Other commodities also recovered as investors became more optimistic on the continuation of the ongoing economic rebound.

Sterling strengthened versus major developed and emerging market currencies as the US Dollar weakened in the risk on environment over the month. The BOE raising rates also provided additional strength to Sterling over the month.

At a Glance

Market Returns in % as of end of December 2021 in GBP

Major Asset Class Returns	1M	Q4	1Y
MSCI ACWI	1.6	6.2	19.6
S&P 500	2.1	10.5	29.9
FTSE All Share	4.7	4.2	18.3
MSCI World ex-UK	1.8	7.5	23.6
MSCI EM	-0.5	-1.8	-1.6
Bloomberg Barclays Global Aggregate	-2.5	-1.1	-3.8
ICE Bank of America Sterling Non-Gilt index	-1.2	0.4	-3.0
Bloomberg Barclays High Yield	-0.4	0.3	6.1
FTSE WGBI	-2.9	-1.5	-6.1
FTA UK Over 15 year gilts	-5.0	5.6	-7.3
FTA UK 5+ year ILG's	-6.1	5.4	4.2
NAREIT Global REITs	4.0	9.9	28.4
Bloomberg Commodity TR	1.1	-2.0	28.3

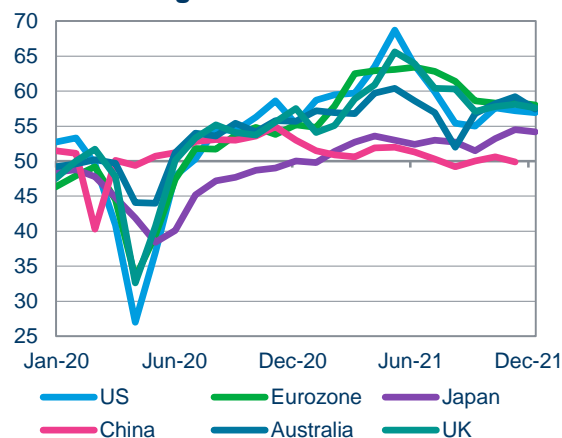
Source: Refinitiv Datastream; as of 31/12/2021

Economy, policy and market drivers

Monetary policy and Covid-19 moved markets

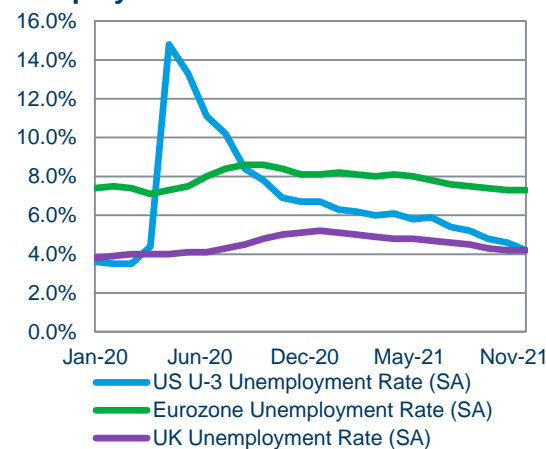
- Another Covid-19 scare, tighter monetary policy and soaring inflation dominated the news during the holiday season, but the immediate economic impact was limited and equity markets ended the year on a positive note.
- Q3 GDP numbers for the US, UK, Eurozone and other major regions were still solid due to the strong rebound in the previous quarter. Purchasing manager indices remained well in expansion territory even though they started to fall off the rebound peaks achieved earlier in the year, especially for the UK and Eurozone. Unemployment also kept falling in major regions. US nonfarm payrolls remained strong but came in below expectations, driven to some degree by hiring difficulties.
- The latest Covid-19 variant continued to make headlines as it became the dominant strain across the much of the world, but the results of initial studies gave reason for optimism, as the strain appears less severe than its predecessors. The US and UK have encouraged booster vaccinations, but generally have not enacted new restrictions, whereas some countries in continental Europe and Asia have seen the return of activity restrictions. The US saw some disruptions in Christmas air travel, but a reduction in the length of quarantines seems to have reduced staffing shortages. Overall, markets turned increasingly optimistic towards year end that the current scare will likely pass and not derail the global recovery.
- Monetary policy was the other major theme. Inflation in the US, UK and Eurozone remained high and central banks continued to remain vigilant. The Federal Reserve doubled the pace of tapering from January 2022, setting the path for potential interest rate increases in 2022. Central banks in the UK, Norway and Hungary increased short dated rates. In other regions such as the Eurozone, Japan, Australia and Canada, central banks remained on hold.
- The US debt ceiling was extended to the end of 2022, but President Biden's Build Back Better plan stalled in the Senate amid concerns within the Democratic Party that spending plans will prove to be inflationary and raise the national debt to an unacceptable level.
- Geopolitical disputes between western countries, China and Russia continued. A diplomatic boycott of China's Winter Olympics was announced by major western countries while Russia and NATO faced off over Ukraine.

Manufacturing PMIs



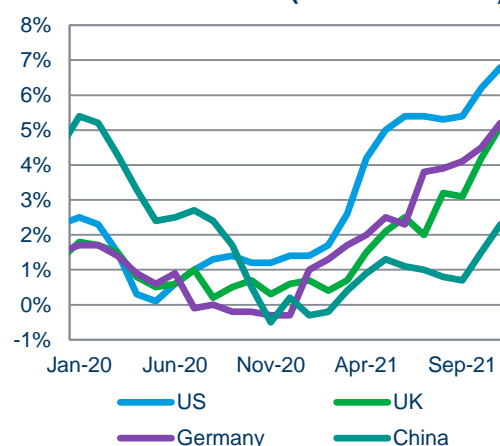
Source: Bloomberg; as of 31/12/2021

Unemployment Rates



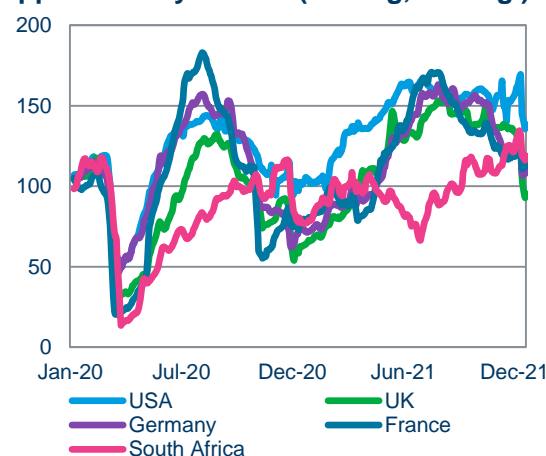
Source: Bloomberg; as of 30/11/2021

Consumer Price Index (Year-over-Year)



Source: Bloomberg; as of 30/11/2021

Apple Mobility Trends (Driving, 7D Avg.)



Source: Apple.com; as of 31/12/2021

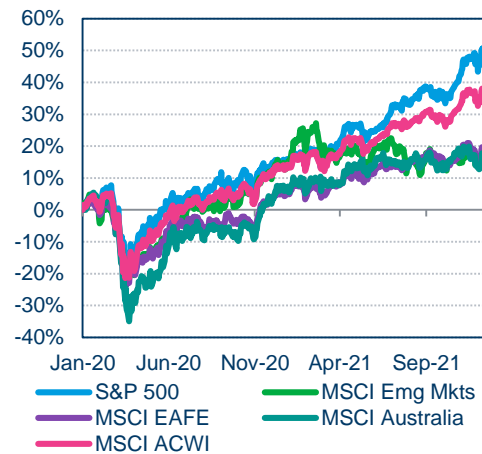
Returns in GBP unless stated otherwise.

Equities

Equity markets finish 2021 optimistically, near all-time highs

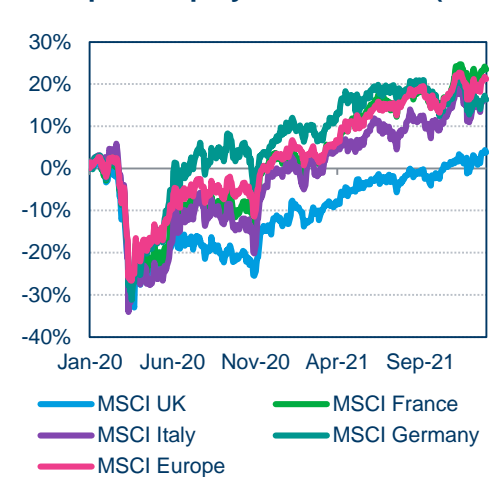
- The MSCI All Country World Index ('ACWI') returned 1.6% for the month and ended the year with an incredible 19.6% return.
- While the month had a few ups and downs, equity markets shrugged off the scare over Covid-19 as medical data was encouraging and only a few countries imposed far-reaching restrictions. Monetary policy was the other worry, but one that had largely been priced in by equity markets. Therefore, hawkish statements and actions seen by major central banks in December had less of an impact on equity markets than on bond markets.
- Positive momentum for equity markets continued to be driven by a strong earnings outlook. Even after an expected 45% rebound in year-on-year earnings for 2021, analysts are expecting 10% earnings growth for 2022¹.
- Value outperformed growth (as measured by Russell 3000) by a margin of around 4.1% as markets switched back from last month's 'stay at home' theme that benefited growth stocks to renewed recovery and 'staying open' optimism.
- On a country level this benefited markets beaten down in the previous month with more cyclical, global trade exposure, including Europe and the UK which outperformed US markets. The exception was Japan which underperformed the US significantly.
- Emerging markets returned almost 0.5% during the month. China declined 5.4% over the month as its economy continues its slow down, which was a significant drag on the index. Positive returns for Brazil, Taiwan and Korea offset this to a degree. Russia had another month of negative returns in spite of the recovery in oil prices, while returns for India were 1.3%.
- Emerging markets underperformed the MSCI ACWI by 21.2 percentage points over the year after underperforming by 2% in 2020. This was driven by the regulatory crackdown and ensuing slowdown in China and an equally terrible year for Brazil. Other large emerging market countries such as Russia and India outperformed the MSCI ACWI.
- Equity volatility measured via the VIX index started the month at elevated levels but receded over the month as optimism returned, leading the VIX to end the year lower than it started.

Global Equity Performance (GBP)



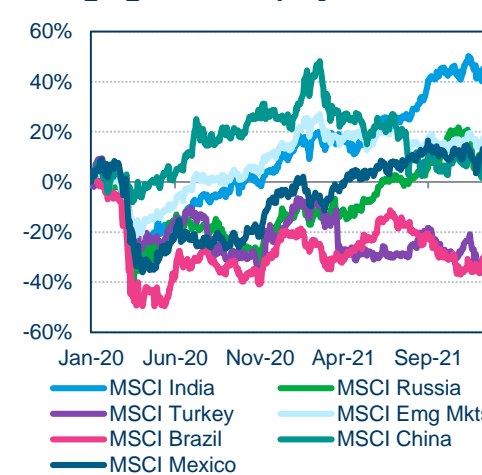
Source: Databank, Data as at 31/12/2021

European Equity Performance (GBP)

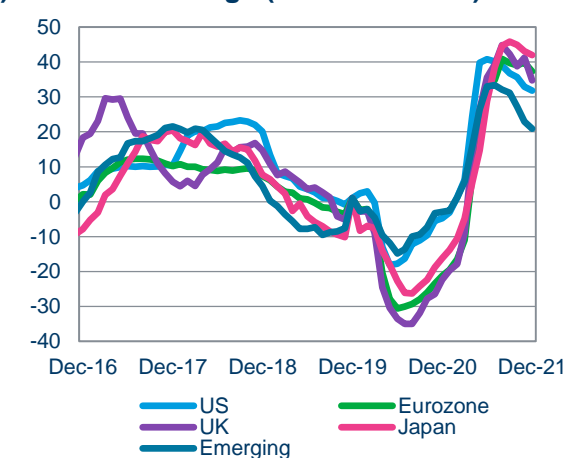


Source: Databank, Data as at 31/12/2021

Emerging Market Equity Performance (GBP) Forward Earnings (Year-over-Year)



Source: Databank, Data as at 31/12/2021



Source: Datastream; as of 31/12/21

¹ Source: <https://insight.factset.com/sp-500-cy-2021-earnings-preview-record-high-earnings-and-sales-growth-in-cy-2021>

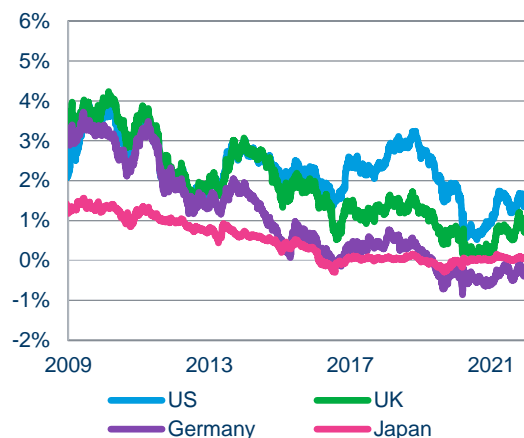
Returns in GBP unless stated otherwise.

Fixed income

Short end of yield curves react to accelerated tightening

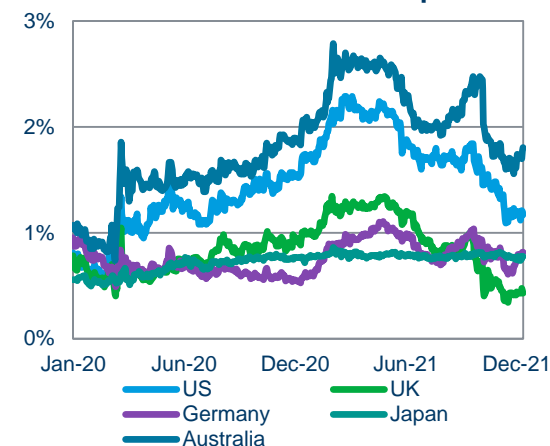
- Major developed 10-year government yields ended the month only marginally higher, led by the UK and Eurozone where 10-year yields rose by around 15-20 basis points. Meanwhile, 10-year yields rose by 9 basis points in the US. While 10-year yields did not move by much for either the US or UK, yields at the shorter end of both curves spiked more significantly as investors positioned for a tighter monetary environment.
- In the UK, the Bank of England accelerated their tightening of monetary policy by raising the base rate. They increased the rate by 15bps to 0.25%, the first rate hike since August 2018.
- The more optimistic economic outlook, diminishing Covid-19 fears, persistently high inflation and central banks becoming more hawkish led investors to bring forward rate hike expectations. The flattening of the yield curve suggests investors are worried about central banks hiking too quickly.
- For 2021 as a whole, 10-year yields for major global regions were up between 30 and 80 basis points. Japan was the obvious exception where the yield was largely unchanged.
- Credit spreads fell slightly for investment grade but declined considerably for high yield after the sell-off in November. Like equities, high yield benefited from a return in risk-on sentiment. For the year as a whole, investment grade spreads were little changed while high yield spreads were down substantially.
- 10-year break-even in the UK, decreased by 23 bps over the month. For 2021, inflation expectations have rallied, up by 95 basis points for the UK as inflation returned with a vengeance, following two years of fiscal and monetary stimulus combined with lockdown-induced supply destruction.
- Local currency emerging market debt gained 1.6% (USD return) in December, but finished 2021 down by 8.7% (USD return). Evergrande and Kaisa, the large Chinese property developers caught in the deleveraging drive officially defaulted on their US dollar debt and China's government already indicated that there will be no bailouts. There was no major market reaction to these events which were largely expected and priced in since summer.

10-Year Government Bond Yields



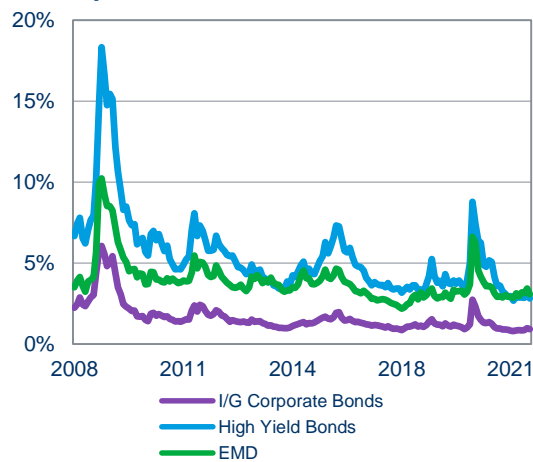
Source: Bloomberg; as of 31/12/2021

30 – 2 Year Government Yield Spread



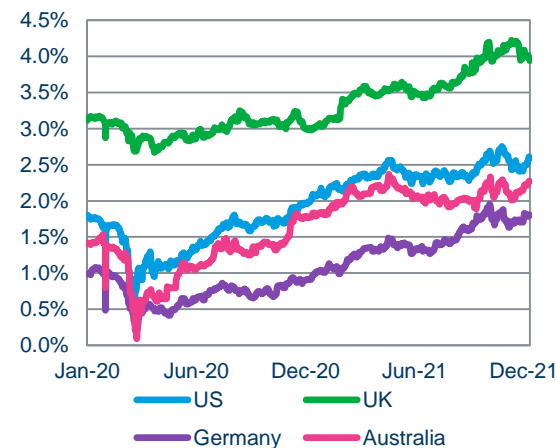
Source: Bloomberg; as of 31/12/2021

Credit Spreads



Source: Bloomberg; as of 30/11/2021

10-Year Inflation Breakeven Rates



Source: Bloomberg; as of 31/12/2021

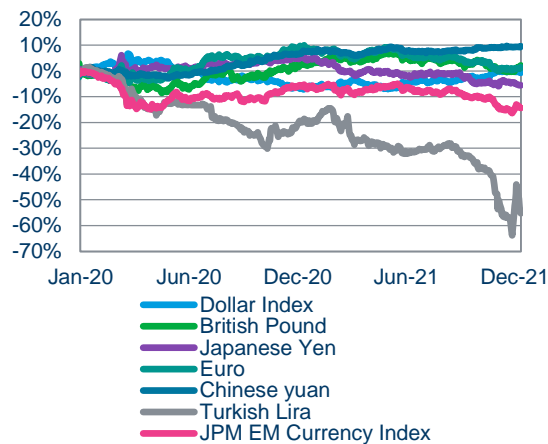
Returns in GBP unless stated otherwise.

Currencies, commodities and alternatives

Commodities recover as optimism returns, US dollar weakens

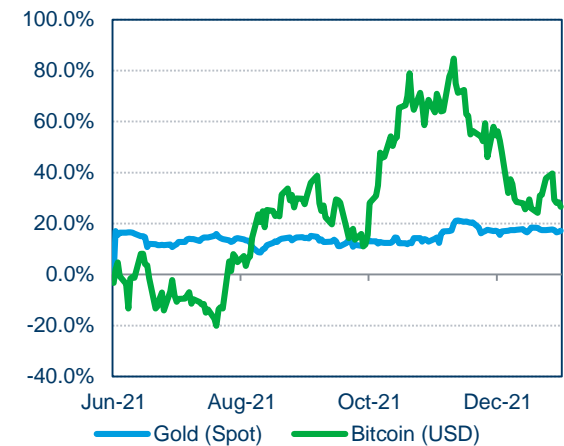
- Sterling appreciated against both major developed and emerging market currencies through the month, the BOE raising rates provided strength to Sterling over the month. Additionally, as risk on sentiment returned and demand for safe haven currencies such as the US Dollar and Japanese Yen weakened. For 2021 as a whole, Sterling appreciated against all major currencies except the US and Canadian Dollar. This reflects the strong rebound in economic activity and expected tighter monetary conditions in the UK.
- The currency crisis in Turkey intensified when its politicized central bank continued to cut rates in spite of soaring inflation. This led to the Turkish lira depreciating by as much as 27% intra-quarter until it recovered somewhat in late-December when Turkey's government promised to cover forex losses for deposit-holders. The Chilean Peso also took a major hit intra-month, following the election of a leftist government.
- Oil prices rallied by almost 11% over the month as investors re-evaluated the risks to global travel and mobility posed by the latest Covid-19 variant which has turned out to be less disruptive than feared. Many countries were quick to roll back travel restrictions from Southern Africa and only very few countries imposed meaningful mobility restrictions. For 2021 as a whole, oil increased by 56.4%, reflecting a pick up in demand as economies reopened while supply increased at a lower pace.
- Other commodities also rallied for similar reasons. The S&P North American Natural Resources Index returned around 1.5% in December, and almost 41.2% for the year.
- Gold rose by around 0.5% over the month as inflation readings remained high and the US dollar weakened later in the month. For 2021, gold was down 2.6% as tighter monetary conditions increased the opportunity costs of holding gold. Bitcoin and other cryptocurrencies sold off heading into year-end, with Bitcoin declining 19% (in USD) during December.
- Global REITs returned 4% in December and 28.4% for the year. Optimism prevailed as the housing market remained strong and re-openings improved the prospects for commercial property.
- Hedge funds, measured by the HFRX equal weighted strategies index, returned 0.5% during December and 2.5% for the year.

Currency Returns



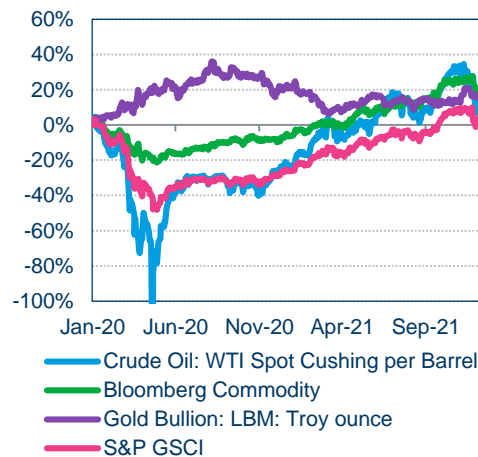
Source: Bloomberg; as of 31/12/2021

Gold & Bitcoin



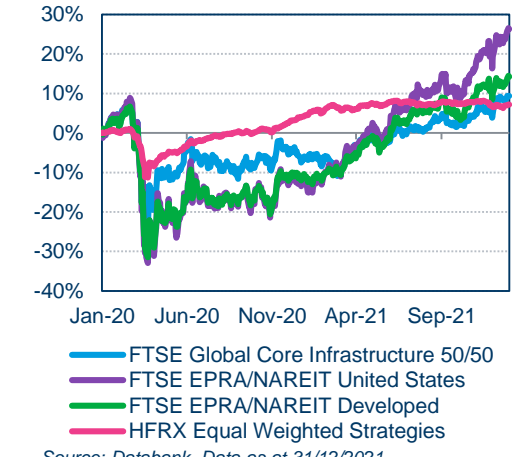
Source: Databank, Data as at 31/12/2021

Commodities (GBP)



Source: Databank, Data as at 31/12/2021

REITs, Hedge Funds, Infrastructure (GBP)

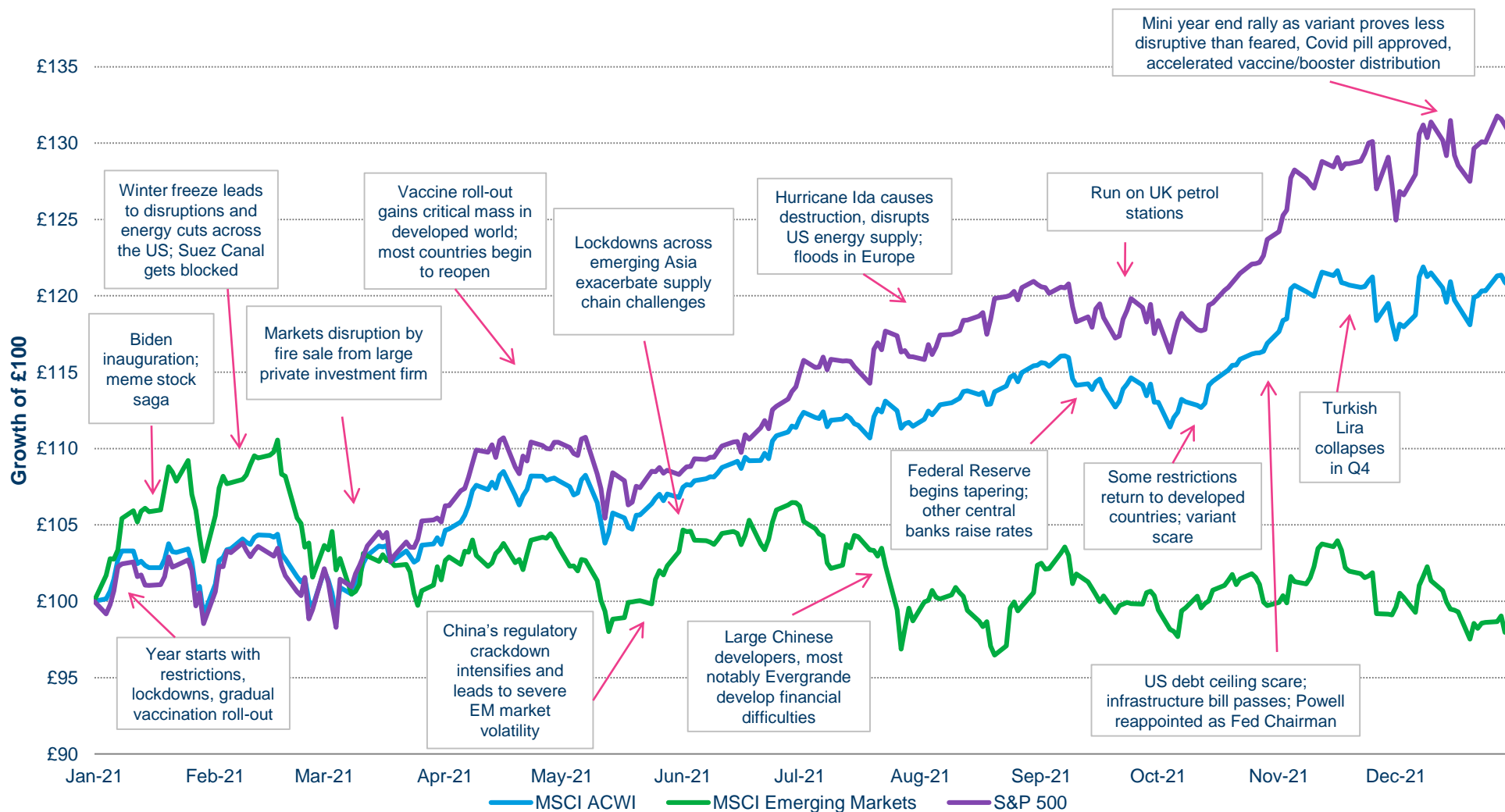


Source: Databank, Data as at 31/12/2021

Returns in GBP unless stated otherwise.

2021 in Review

Markets and major developments



Source: Datastream and Mercer Research

All indices in GBP. Total return indices for MSCI ACWI, S&P 500 and MSCI Emerging Markets.

Note: For visual reasons, events might not exactly pinpoint to the day they actually happened. We do not imply a direct causal relationship between market movements and every single event.

Valuations and yields

Ending 31 December 2021

Valuations

FTSE ALL-Share	31/12/2021	30/9/2021	30/6/2021	31/3/2021
Index Level	8363.9	8027.1	7852.4	7435.6
P/E Ratio (Trailing)	21.0	23.9	88.8	111.6
CAPE Ratio	19.6	19.1	19.0	17.8
Dividend Yield	3.6	3.7	3.1	3.1
P/B	1.8	1.8	1.8	1.7
P/CF	7.5	7.6	5.6	5.3
MSCI World ex-UK	31/12/2021	30/9/2021	30/6/2021	31/3/2021
Index Level	9674.6	8969.6	8969.2	8318.5
P/E Ratio (Trailing)	23.5	23.6	29.5	33.3
CAPE Ratio	33.4	31.3	31.1	29.1
Dividend Yield	1.6	1.7	1.6	1.7
P/B	3.4	3.2	3.3	3.1
P/CF	14.4	13.7	13.3	12.7
MSCI EM	31/12/2021	30/9/2021	30/6/2021	31/3/2021
Index Level	608.3	616.4	670.6	638.4
P/E Ratio (Trailing)	21.7	15.1	18.7	21.5
CAPE Ratio	14.5	15.2	17.2	16.4
Dividend Yield	2.0	2.2	1.9	1.9
P/B	2.0	1.9	2.1	2.1
P/CF	8.3	9.4	9.1	11.9

Source: Bloomberg, Thomson Reuters Datastream

Yields

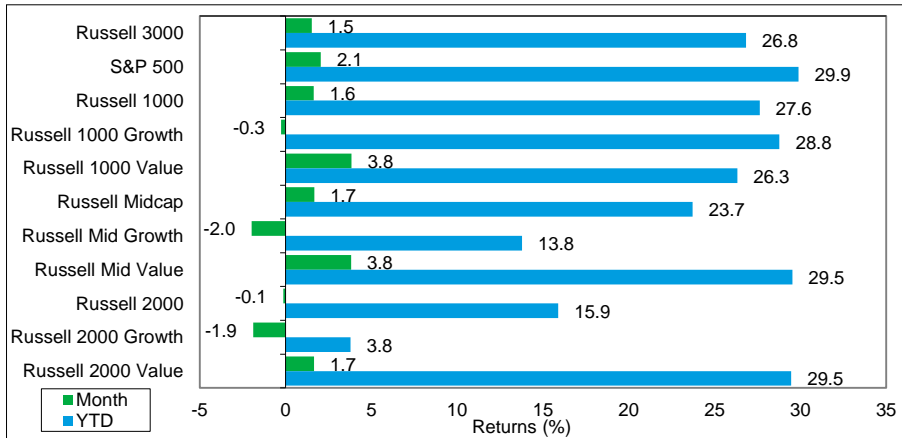
Global Bonds	31/12/2021	30/9/2021	30/6/2021	31/3/2021
Germany – 10Y	-0.18	-0.20	-0.21	-0.29
France - 10Y	0.20	0.16	0.13	-0.05
US - 10Y	1.51	1.49	1.47	1.74
Switzerland – 10Y	-0.14	-0.16	-0.22	-0.28
Italy – 10Y	1.17	0.86	0.82	0.67
Spain 10Y	0.57	0.46	0.41	0.34
Japan – 10Y	0.07	0.07	0.06	0.10
Euro Corporate	0.52	0.35	0.33	0.36
Euro High Yield	3.55	3.16	2.97	3.22
EMD (\$)	5.27	5.11	4.89	5.26
EMD (LCL)	5.87	5.49	5.04	5.09
US Corporate	2.33	2.13	2.04	2.28
US Corporate High Yield	4.21	4.04	3.75	4.23
UK Bonds	31/12/2021	30/9/2021	30/6/2021	31/3/2021
SONIA	0.19	0.05	0.05	0.05
10 year gilt yield	0.97	1.02	0.75	0.88
30 year gilt yield	1.13	1.36	1.21	1.37
10 year index linked gilt yield	-2.95	-2.77	-2.63	-2.59
30 year index linked gilt yield	-2.27	-2.10	-2.05	-1.92
AA corporate bond yield	1.46	1.29	1.16	1.27
A corporate bond yield	1.68	1.56	1.40	1.51
BBB corporate bond yield	2.16	1.99	1.81	1.96

Source: Bloomberg, Thomson Reuters Datastream

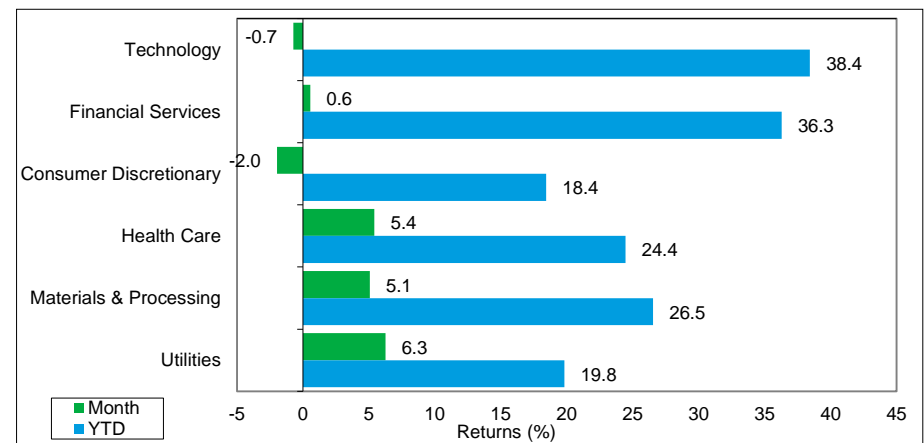
Performance Summary

Style and sector equity performance ending 31 December 2021

Style and Capitalisation Market Performance



Russell 1000 Sector Performance



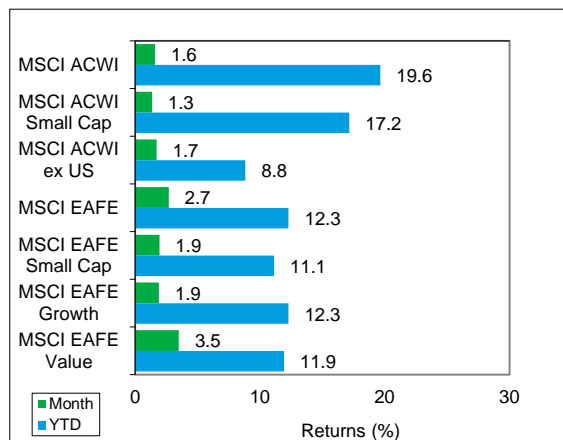
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
S&P 500	2.1	10.5	29.9	29.9	22.1	23.5	16.3	17.3	18.2	9.9	14.7	26.4	1.6	11.3	33.5
Russell 3000	1.5	8.8	26.8	26.8	21.9	23.2	15.8	16.9	17.9	10.1	17.2	26.0	0.6	10.6	34.5
Russell 3000 Growth	-0.4	10.4	27.0	27.0	30.5	30.5	22.3	21.4	21.0	11.2	34.0	30.6	4.0	18.4	28.1
Russell 3000 Value	3.7	7.1	26.5	26.5	12.3	15.3	9.0	11.9	14.5	8.8	-0.3	21.4	-2.9	3.4	41.2
Russell 1000	1.6	9.3	27.6	27.6	22.3	23.6	16.3	17.2	18.2	10.1	17.2	26.4	1.1	11.2	33.7
Russell 1000 Growth	-0.3	11.1	28.8	28.8	31.5	31.4	23.0	22.0	21.4	11.3	34.2	31.1	4.6	18.9	27.7
Russell 1000 Value	3.8	7.3	26.3	26.3	12.2	15.3	9.1	12.0	14.5	8.7	-0.4	21.7	-2.6	3.8	40.0
Russell Midcap	1.7	6.0	23.7	23.7	18.5	20.8	13.0	14.5	16.5	11.3	13.5	25.5	-3.4	8.3	35.7
Russell Mid Growth	-2.0	2.4	13.8	13.8	22.3	24.9	17.6	17.3	18.2	11.2	31.4	30.2	1.2	14.4	28.0
Russell Mid Value	3.8	8.0	29.5	29.5	14.8	17.2	9.2	12.2	15.0	10.9	1.7	22.2	-6.8	3.5	43.1
Russell 2500	0.9	3.4	19.3	19.3	17.8	19.4	11.7	14.0	15.7	10.7	16.3	22.8	-4.4	6.7	40.3
Russell 2500 Growth	-1.8	-0.3	6.0	6.0	20.1	22.6	15.5	16.1	17.4	10.8	36.1	27.5	-1.7	13.7	30.9
Russell 2500 Value	2.8	5.9	29.0	29.0	14.5	15.9	7.9	11.8	14.0	10.2	1.6	18.8	-6.9	0.8	49.3
Russell 2000	-0.1	1.7	15.9	15.9	16.1	17.6	10.0	13.0	14.8	9.8	16.3	20.7	-5.5	4.7	44.7
Russell 2000 Growth	-1.9	-0.4	3.8	3.8	16.4	18.7	12.4	13.9	15.7	9.6	30.5	23.5	-3.7	11.6	32.8
Russell 2000 Value	1.7	3.9	29.5	29.5	14.6	15.6	7.1	11.7	13.6	9.6	1.4	17.7	-7.4	-1.5	57.1
Russell 1000 Technology	-0.7	13.7	38.4	38.4	40.3	40.7	29.9	27.7	25.3	13.1	42.2	41.5	4.9	26.4	36.1
Russell 1000 Financial Services	0.6	4.9	36.3	36.3	19.0	22.1	14.6	16.6	19.1	7.4	3.9	28.6	-2.4	11.0	39.0
Russell 1000 Consumer Discretionary	-2.0	8.2	18.4	18.4	28.1	26.8	19.6	19.6	21.1	11.8	38.5	24.2	6.1	13.4	26.8
Russell 1000 Health Care	5.4	8.6	24.4	24.4	18.8	18.1	15.8	15.4	19.3	10.4	13.4	16.8	13.2	11.5	15.8
Russell 1000 Energy	-1.0	7.3	52.7	52.7	1.2	2.9	-3.1	0.7	2.3	6.1	-33.0	6.5	-13.5	-9.7	50.2
Russell 1000 Producer Durables	4.0	5.0	17.2	17.2	12.7	16.9	10.7	13.7	16.0	9.3	8.4	25.7	-6.9	12.1	42.4
Russell 1000 Materials & Processing	5.1	12.8	26.5	26.5	20.1	20.6	12.0	13.8	14.3	9.8	13.9	21.6	-11.1	13.1	43.1
Russell 1000 Consumer Staples	9.0	12.0	19.3	19.3	11.3	13.9	7.3	10.8	12.9	10.4	3.8	19.3	-4.1	0.3	25.9
Russell 1000 Utilities	6.3	12.2	19.8	19.8	7.7	12.0	7.7	11.6	12.0	7.5	-3.2	21.3	6.1	-3.0	43.6

Data Source: Thomson Reuters Datastream

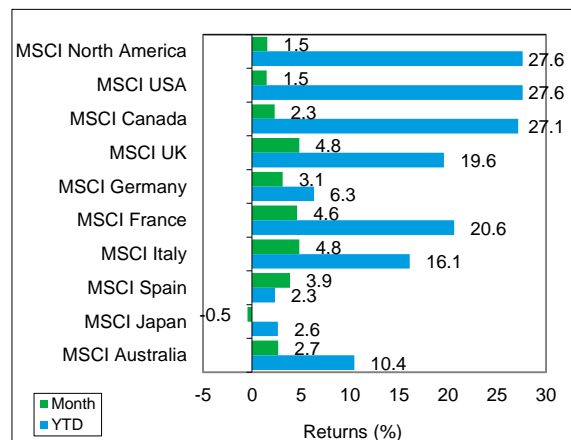
Performance Summary

Global equity ending 31 December 2021

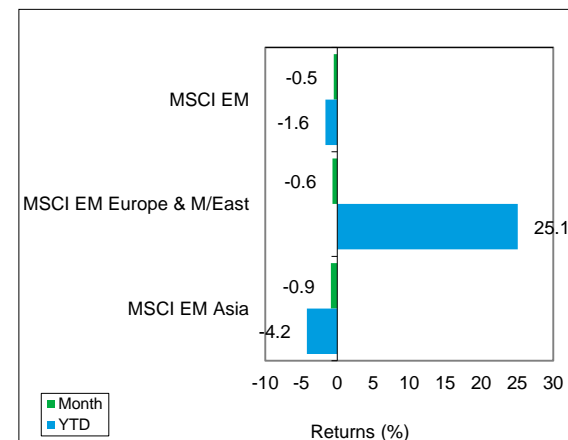
International Equity Performance



Developed Country Performance



Emerging Market Performance



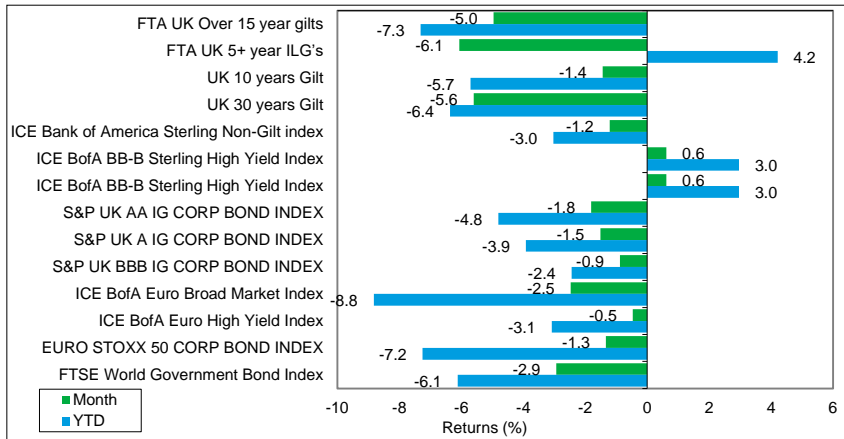
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
MSCI ACWI	1.6	6.2	19.6	19.6	16.1	17.9	12.3	13.2	13.4	8.4	12.7	21.7	-3.8	13.2	28.7
MSCI ACWI IMI	1.6	5.7	19.8	19.8	16.5	18.3	12.6	13.6	14.0	9.3	13.2	22.1	-4.0	13.8	30.0
MSCI ACWI Small Cap	1.3	1.7	17.2	17.2	14.9	16.5	10.2	12.4	13.3	10.7	12.7	19.8	-9.1	13.1	33.1
MSCI ACWI ex US	1.7	1.4	8.8	8.8	8.0	10.9	7.6	8.7	8.8	7.2	7.2	16.8	-8.9	16.2	24.6
MSCI EAFE	2.7	2.2	12.3	12.3	8.3	11.2	7.6	8.9	9.5	6.7	4.5	17.3	-8.4	14.2	20.5
MSCI EAFE Growth	1.9	3.6	12.3	12.3	13.5	16.5	11.5	11.9	11.6	7.5	14.6	23.0	-7.4	17.7	15.6
MSCI EAFE Value	3.5	0.7	11.9	11.9	2.8	5.6	3.4	5.8	7.3	5.8	-5.6	11.6	-9.5	10.9	25.3
EM	-0.5	-1.8	-1.6	-1.6	6.2	8.7	7.9	8.3	6.9	10.0	14.7	13.8	-9.3	25.4	32.6
North America	1.5	9.4	27.6	27.6	21.8	23.1	15.6	16.3	16.9	9.3	16.2	25.7	0.1	10.4	33.1
Europe	4.1	5.2	17.4	17.4	9.5	12.6	8.1	8.8	9.7	6.6	2.1	19.0	-9.6	14.6	18.8
EM Europe & M/East	-0.6	-3.5	25.1	25.1	5.8	8.7	5.8	8.2	3.9	7.0	-10.4	14.6	-2.2	5.8	45.8
EM Asia	-0.9	-1.4	-4.2	-4.2	9.2	11.0	9.9	9.9	9.6	10.4	24.4	14.6	-10.2	30.5	26.6
Latin America	3.5	-3.1	-7.2	-7.2	-12.0	-4.4	-0.4	1.6	-0.8	8.1	-16.5	12.9	-0.8	13.0	56.3
USA	1.5	9.5	27.6	27.6	22.2	23.4	16.0	16.7	17.6	9.4	17.0	25.8	0.9	10.7	32.3
Canada	2.3	6.7	27.1	27.1	13.9	16.7	8.2	8.5	7.5	8.9	2.1	22.6	-12.1	6.0	48.6
Australia	2.7	1.6	10.4	10.4	7.9	11.2	7.1	8.6	8.1	10.1	5.4	18.2	-6.5	9.6	32.9
UK	4.8	5.1	19.6	19.6	1.9	6.5	4.2	5.3	6.5	5.3	-13.2	16.4	-8.8	11.7	19.2
Germany	3.1	0.4	6.3	6.3	7.2	10.1	5.2	7.3	9.7	6.7	8.1	16.1	-17.3	16.6	22.6
France	4.6	6.6	20.6	20.6	10.3	13.7	9.9	11.3	11.3	6.6	0.9	20.9	-7.3	17.6	25.1
Italy	4.8	5.1	16.1	16.1	7.0	11.9	7.5	7.5	7.3	3.3	-1.3	22.4	-12.6	17.3	6.8
Spain	3.9	-1.9	2.3	2.3	-2.8	0.6	1.0	1.5	3.6	4.9	-7.7	7.7	-11.0	16.0	18.1
Japan	-0.5	-4.4	2.6	2.6	6.7	9.4	6.5	10.0	9.8	6.0	10.9	15.0	-7.5	13.3	22.1
Brazil	1.9	-6.9	-16.6	-16.6	-19.1	-7.4	-1.0	2.3	-1.7	8.8	-21.5	21.4	5.7	13.4	98.3
China	-5.4	-6.5	-21.0	-21.0	-0.4	5.6	7.4	7.6	8.7	11.5	25.5	18.7	-13.8	40.7	20.4
India	1.3	-0.7	27.4	27.4	19.4	13.8	13.0	11.6	12.4	13.9	12.0	3.4	-1.5	26.7	17.6
Russia	-4.6	-9.6	20.1	20.1	0.9	13.9	8.5	17.3	6.5	9.7	-15.2	45.1	5.8	-3.9	84.7

Data Source: Thomson Reuters Datastream

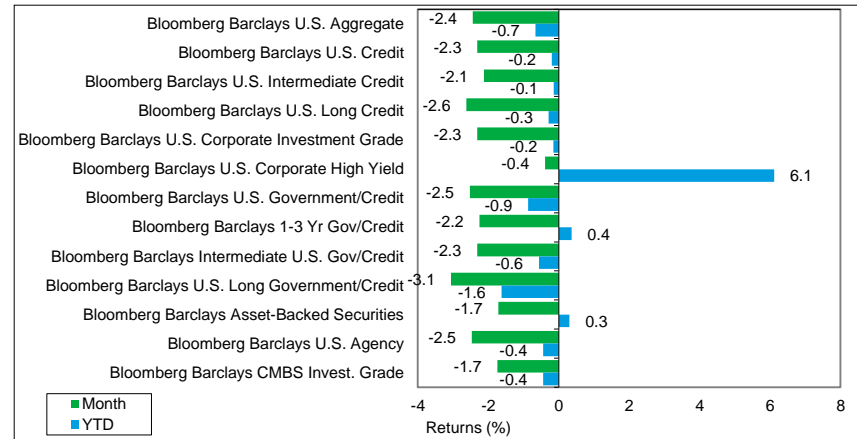
Performance Summary

Fixed Income ending 31 December 2021

Bond Performance by Duration



Sector, Credit, and Global Bond Performance



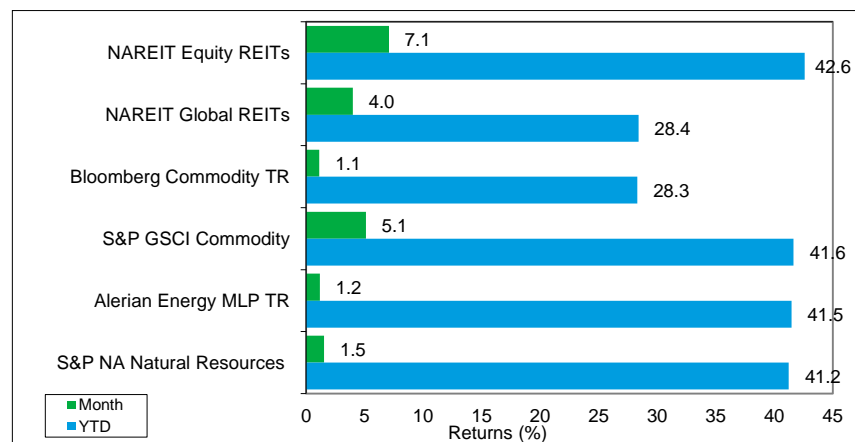
Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
FTA UK Over 15 year Gilts	-5.0	5.6	-7.3	-7.3	2.7	5.7	4.1	5.5	5.9	6.6	13.9	12.0	0.3	3.3	18.5
FTA UK 5+ year ILG's	-6.1	5.4	4.2	4.2	8.2	7.7	5.0	7.0	7.0	7.8	12.4	6.8	-0.4	2.5	27.4
UK 10 years Gilt	-1.4	0.7	-5.7	-5.7	0.3	1.9	2.1	2.9	3.2	5.3	6.6	5.2	2.0	2.7	9.3
UK 30 years Gilt	-5.6	5.3	-6.4	-6.4	3.2	6.0	4.3	5.4	5.9	6.7	13.8	11.7	0.4	3.1	17.7
ICE Bank of America Sterling Non-Gilt index	-1.2	0.4	-3.0	-3.0	2.3	4.6	3.3	3.9	5.3	5.5	8.0	9.5	-1.6	4.3	10.6
ICE BofA BB-B Sterling High Yield Index	0.6	-0.6	3.0	3.0	4.5	7.5	5.8	6.4	9.5	10.1	6.1	13.8	-1.4	8.2	10.5
S&P UK AA IG CORP BOND INDEX	-1.8	0.6	-4.8	-4.8	1.3	3.3	2.5	3.6	4.5	5.2	7.7	7.3	-0.3	3.2	12.7
S&P UK A IG CORP BOND INDEX	-1.5	0.8	-3.9	-3.9	2.1	4.8	3.2	4.1	5.5	5.6	8.4	10.4	-1.5	3.6	12.6
S&P UK BBB IG CORP BOND INDEX	-0.9	0.2	-2.4	-2.4	3.0	5.8	4.0	4.5	6.1	6.3	8.7	11.6	-2.6	5.5	11.3
ICE BofA Euro Broad Market Index	-2.5	-2.8	-8.8	-8.8	0.1	0.1	1.3	2.9	3.7	5.8	9.9	0.1	1.6	4.7	19.7
ICE BofA Euro High Yield Index	-0.5	-2.7	-3.1	-3.1	2.6	3.4	3.6	5.4	7.1	9.0	8.6	5.1	-2.5	11.0	26.3
EURO STOXX 50 CORP BOND INDEX	-1.3	-2.8	-7.2	-7.2	0.3	-0.1	1.0	2.6	3.2	--	8.5	-0.9	0.1	5.5	19.5
FTSE World Government Bond Index	-2.9	-1.5	-6.1	-6.1	0.1	0.7	1.1	3.9	2.4	1.3	6.7	1.8	5.3	-1.8	21.2
Bloomberg Barclays U.S. Aggregate	-2.4	-0.4	-0.7	-0.7	1.8	2.7	1.7	4.9	4.2	4.6	4.3	4.6	5.8	-4.9	20.9
Bloomberg Barclays U.S. Credit	-2.3	-0.2	-0.2	-0.2	2.9	5.0	3.2	6.2	5.7	5.6	6.0	9.4	3.7	-2.7	24.8
Bloomberg Barclays U.S. Intermediate Credit	-2.1	-1.0	-0.1	-0.1	1.8	3.0	1.9	5.3	4.8	4.9	3.8	5.4	5.9	-4.9	22.5
Bloomberg Barclays U.S. Long Credit	-2.6	1.1	-0.3	-0.3	4.6	9.1	5.7	8.2	7.8	7.5	9.8	18.6	-1.1	2.7	30.5
Bloomberg Barclays U.S. Corporate Investment Grade	-2.3	-0.2	-0.2	-0.2	3.1	5.4	3.4	6.5	6.0	5.8	6.5	10.2	3.3	-2.5	25.4
Bloomberg Barclays U.S. Corporate High Yield	-0.4	0.3	6.1	6.1	5.0	6.6	4.4	8.0	8.0	7.9	3.9	10.0	3.6	-1.3	37.3
Bloomberg Barclays U.S. Government/Credit	-2.5	-0.2	-0.9	-0.9	2.3	3.4	2.1	5.2	4.4	4.7	5.6	5.6	5.4	-4.6	21.6
Bloomberg Barclays 1-3 Yr Gov/Credit	-2.2	-1.0	0.4	0.4	0.4	0.3	0.1	3.4	2.6	2.7	0.4	0.3	7.2	-7.1	18.5
Bloomberg Barclays Intermediate U.S. Gov/Credit	-2.3	-1.0	-0.6	-0.6	1.3	1.8	1.1	4.4	3.6	4.0	3.2	2.8	6.7	-6.2	20.3
Bloomberg Barclays U.S. Long Government/Credit	-3.1	1.7	-1.6	-1.6	5.2	8.4	5.4	7.7	7.1	7.4	12.5	15.0	1.1	1.4	26.3
Bloomberg Barclays CMBS Invest. Grade	-1.7	-0.9	-0.4	-0.4	2.3	3.2	2.3	4.2	4.1	4.4	5.2	4.9	4.7	-2.7	14.9
Bloomberg Barclays U.S. Mortgage Backed Securities	-2.3	-0.8	-0.2	-0.2	0.3	1.0	0.7	4.1	3.5	4.2	0.8	2.4	6.9	-5.9	19.8
Bloomberg Barclays Municipal Bond	-1.9	0.3	2.3	2.3	2.2	2.7	2.4	5.2	4.8	4.6	2.2	3.6	6.8	-2.8	17.1

Data Source: Thomson Reuters Datastream

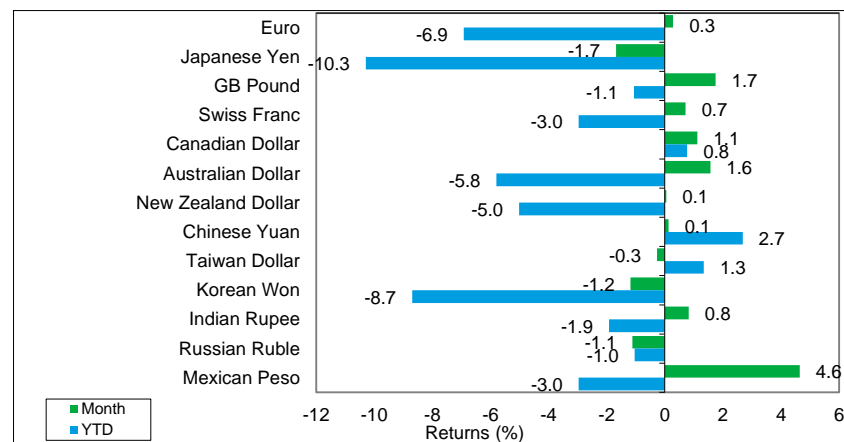
Performance summary

Alternatives ending 31 December 2021

Real Asset Performance



Performance of Foreign Currencies versus the US Dollar



Index Returns	1 Mth	3 Mth	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	20 Years	2020	2019	2018	2017	2016
NAREIT Equity REITs	7.1	15.6	42.6	42.6	14.5	17.5	10.4	12.7	13.8	11.6	-8.1	23.7	1.9	-0.7	29.6
NAREIT Global REITs	4.0	9.9	28.4	28.4	6.9	10.6	6.8	9.1	11.1	10.0	-11.0	18.3	1.2	1.8	25.2
Bloomberg Commodity TR	1.1	-2.0	28.3	28.3	9.7	7.6	1.8	2.1	-1.5	2.1	-6.1	3.5	-5.7	-7.1	33.3
S&P GSCI Commodity	5.1	1.1	41.6	41.6	2.3	5.8	0.9	-0.2	-4.2	0.3	-26.1	13.1	-8.5	-3.4	32.8
Alerian Energy MLP TR	1.2	0.1	41.5	41.5	-1.1	0.1	-4.5	-3.1	1.1	7.7	-30.9	2.4	-7.0	-14.6	41.1
Oil	11.0	-0.2	56.4	56.4	9.8	15.9	5.0	7.2	-1.3	7.3	-23.0	29.3	-20.2	2.7	73.0
Gold	0.5	3.6	-2.6	-2.6	8.4	10.3	7.7	8.6	3.0	10.3	20.6	14.3	3.9	3.8	29.6
S&P NA Natural Resources	1.5	7.6	41.2	41.2	5.3	7.8	-0.6	2.8	2.7	6.4	-21.5	13.1	-16.2	-7.5	56.1
Euro	0.3	-1.8	-6.9	-6.9	0.7	-0.3	1.6	-0.9	-1.3	1.2	8.9	-2.3	-4.4	14.1	-3.2
Japanese Yen	-1.7	-3.3	-10.3	-10.3	-2.9	-1.6	0.3	0.6	-3.9	0.6	5.2	0.9	2.8	3.7	2.9
GB Pound	1.7	0.4	-1.1	-1.1	1.0	2.0	1.9	-2.0	-1.4	-0.4	3.1	3.9	-5.6	9.5	-16.3
Swiss Franc	0.7	2.1	-3.0	-3.0	3.0	2.5	2.2	1.2	0.3	3.0	9.3	1.4	-0.7	4.5	-1.6
Canadian Dollar	1.1	0.3	0.8	0.8	1.4	2.6	1.2	-1.2	-2.1	1.2	2.0	5.0	-7.8	6.8	3.0
Australian Dollar	1.6	0.7	-5.8	-5.8	1.8	0.9	0.1	-1.7	-3.3	1.8	9.9	-0.7	-9.5	7.8	-1.0
New Zealand Dollar	0.1	-1.1	-5.0	-5.0	0.7	0.5	-0.4	-1.9	-1.3	2.5	6.6	0.3	-5.2	2.0	1.7
Chinese Yuan	0.1	1.4	2.7	2.7	4.7	2.7	1.8	-0.3	-0.1	1.3	6.7	-1.2	-5.4	6.7	-6.5
Taiwan Dollar	-0.3	0.4	1.3	1.3	3.9	3.3	3.2	1.9	0.9	1.2	6.5	2.2	-3.0	9.4	1.1
Korean Won	-1.2	0.0	-8.7	-8.7	-1.7	-2.3	0.2	-1.1	-0.2	0.5	5.7	-3.3	-4.3	13.3	-2.4
Indian Rupee	0.8	-0.4	-1.9	-1.9	-2.1	-2.2	-1.8	-2.4	-3.3	-2.1	-2.3	-2.5	-8.2	6.4	-2.6
Russian Ruble	-1.1	-2.8	-1.0	-1.0	-9.0	-2.3	-3.9	-3.5	-8.1	-4.4	-16.3	12.6	-17.3	6.4	19.0
Brazilian Real	1.0	-2.3	-6.8	-6.8	-15.1	-11.4	-10.2	-10.0	-10.4	-4.3	-22.6	-3.4	-14.7	-1.7	21.7
Mexican Peso	4.6	0.7	-3.0	-3.0	-3.9	-1.4	0.2	-4.6	-3.8	-3.9	-4.8	3.8	0.0	5.5	-17.1
BofA ML All Convertibles	-2.0	-0.3	7.6	7.6	23.5	21.8	14.8	15.2	15.5	9.7	41.7	18.4	6.4	3.9	32.1
60%S&P 500/40% Barc Agg	0.3	6.2	17.7	17.7	14.0	15.2	10.5	12.3	12.6	7.8	10.6	17.7	3.3	4.8	28.5

Data Source: Thomson Reuters Datastream

Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2022 Mercer Limited. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity without Mercer's prior written permission.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in the data supplied by any third party.

Mercer does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications. This does not constitute an offer to purchase or sell any securities. The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see <http://www.mercer.com/conflictsofinterest>.

This does not constitute an offer to purchase or sell any securities.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed.

This does not contain investment advice relating to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances. Mercer provides recommendations based on the particular client's circumstances, investment objectives and needs. As such, investment results will vary and actual results may differ materially.

Past performance is no guarantee of future results. The value of investments can go down as well as up, and you may not get back the amount you have invested. Investments denominated in a foreign currency will fluctuate with the value of the currency. Certain investments, such as securities issued by small capitalization, foreign and emerging market issuers, real property, and illiquid, leveraged or high-yield funds, carry additional risks that should be considered before choosing an investment manager or making an investment decision.

Mercer universes: Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

Issued in the United Kingdom by Mercer Limited which is authorised and regulated by the Financial Conduct Authority. Registered in England No. 984275. Registered Office: 1 Tower Place West, London, EC3R 5BU

Please see the following link for information on indexes: <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-investment-management-index-definitions-mercer.pdf>

