



Town of Wilton

Second Quarter 2023 Pension Discussion Guide

August 9, 2023

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Town of Wilton

Pension Plan Investment Committee Work Plan

For Discussion Purposes

Topic	Planned Frequency	Last Done	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Notes
Recurring Quarterly Topics							
Capital Markets Overview	Quarterly		X	X	X	X	
Fund Asset Allocation and Performance	Quarterly		X	X	X	X	
Investment Manager Ratings and Updates	Quarterly		X	X	X	X	
Investment Fee Summary	Quarterly		X	X	X	X	
Medium-Term Views	Quarterly		X	X	X	X	
Aon Thought Leadership	Quarterly		X	X	X	X	
Regulatory, Compliance, Administrative Update	Quarterly		X	X	X	X	
Periodic or Ad Hoc Topics							
Investment Policy Statement Review	Annually	Q3'21			X		
Lowest Cost Vehicle and Share Class Analysis	Annually					X	
Investment Checkup	Every 1-3 years	Q1'23	X				Years w/o with ALM
Custody Review	Every 3-5 years						
Review Public Equity Structure	Every 3-5 years	Q2'23		X			
Asset/Liability Study	Every 3-5 years	Q2'20					
Consider an Opportunity Allocation	As needed						
Review Responsible Investment Trends & Strategy	As needed						
Review Diverse Manager Investing Trends & Strategy	As needed						

- We provide our strategic approach for working with the Committee in the table above

1

Market Highlights

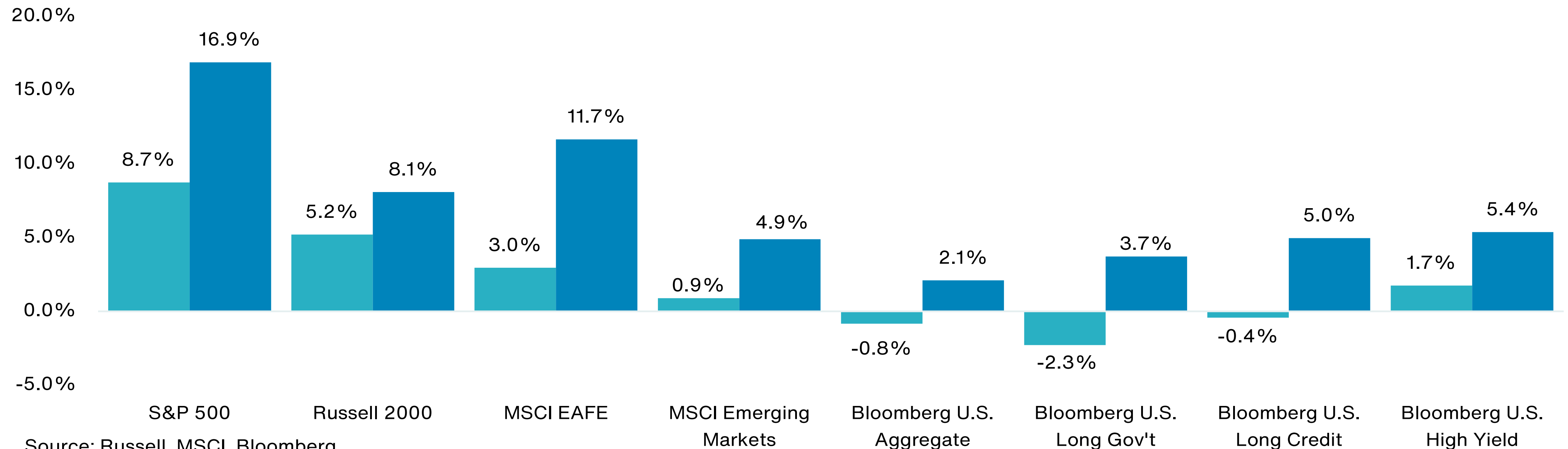
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Market Highlights

SHORT TERM RETURNS AS OF 06/30/2023

■ Second Quarter 2023 ■ YTD



Source: Russell, MSCI, Bloomberg

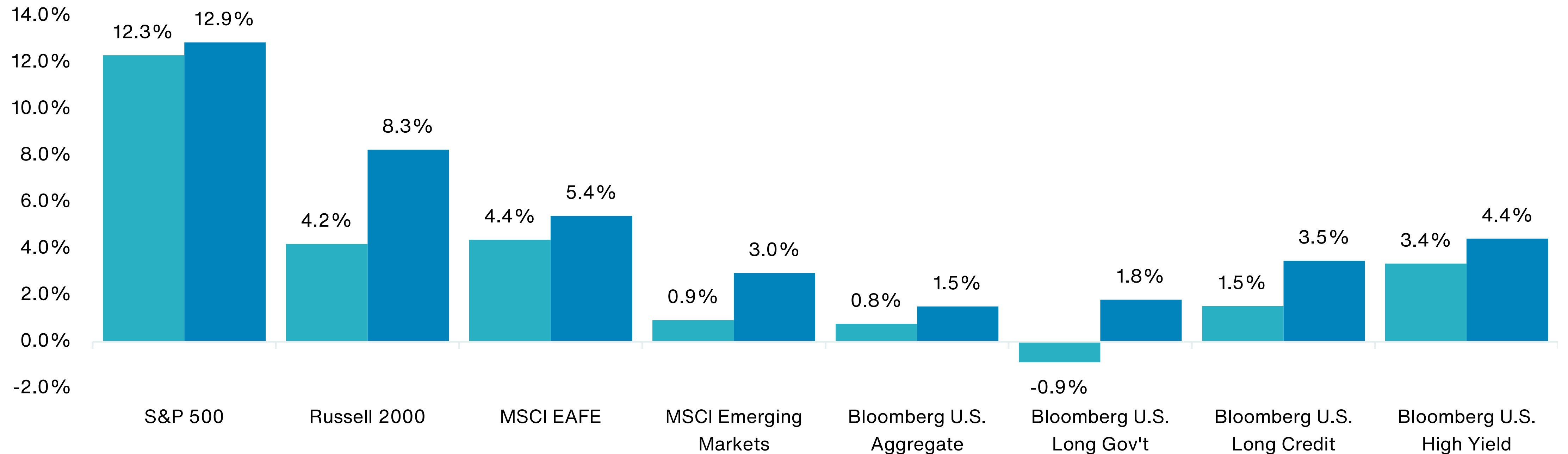
MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

Market Highlights

LONG TERM ANNUALIZED RETURNS AS OF 06/30/2023

■ Five-Year ■ Ten-Year



Source: Russell, MSCI, Bloomberg

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Market Highlights

Returns of the Major Capital Markets

	Period Ending 06/30/2023					
	Second Quarter	YTD	1-Year	3-Year ¹	5-Year ¹	10-Year ¹
Equity						
MSCI All Country World IMI	5.89%	13.25%	16.14%	10.97%	7.65%	8.62%
MSCI All Country World	6.18%	13.93%	16.53%	10.99%	8.10%	8.75%
Dow Jones U.S. Total Stock Market	8.39%	16.24%	18.90%	13.74%	11.26%	12.24%
Russell 3000	8.39%	16.17%	18.95%	13.89%	11.39%	12.34%
S&P 500	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%
Russell 2000	5.21%	8.09%	12.31%	10.82%	4.21%	8.26%
MSCI All Country World ex-U.S. IMI	2.38%	9.10%	12.47%	7.33%	3.38%	4.88%
MSCI All Country World ex-U.S.	2.44%	9.47%	12.72%	7.22%	3.52%	4.75%
MSCI EAFE	2.95%	11.67%	18.77%	8.93%	4.39%	5.41%
MSCI EAFE (Local Currency)	4.28%	12.10%	17.50%	11.73%	6.42%	7.67%
MSCI Emerging Markets	0.90%	4.89%	1.75%	2.32%	0.93%	2.95%
Equity Factors						
MSCI World Minimum Volatility (USD)	1.79%	4.13%	7.44%	6.35%	6.48%	8.41%
MSCI World High Dividend Yield	2.37%	4.35%	9.03%	10.62%	7.13%	7.58%
MSCI World Quality	9.83%	21.58%	24.60%	13.11%	13.19%	12.99%
MSCI World Momentum	4.34%	3.13%	10.14%	6.44%	8.16%	10.96%
MSCI World Enhanced Value	5.21%	11.30%	16.04%	13.07%	4.76%	7.22%
MSCI World Index Growth	10.50%	27.27%	26.66%	11.31%	12.08%	12.29%
MSCI USA Minimum Volatility (USD)	2.65%	3.98%	7.99%	8.92%	9.06%	10.92%
MSCI USA High Dividend Yield	1.46%	0.73%	6.35%	10.70%	7.78%	10.00%
MSCI USA Quality	11.70%	23.40%	24.90%	13.73%	14.31%	14.62%
MSCI USA Momentum	4.35%	-0.06%	8.70%	4.72%	7.29%	12.58%
MSCI USA Enhanced Value	1.95%	4.52%	7.18%	12.27%	5.64%	9.28%
MSCI USA Equal Weighted	4.56%	8.76%	13.66%	13.09%	8.85%	10.70%
MSCI USA Growth	13.87%	33.68%	29.69%	13.56%	15.47%	15.87%

Returns of the Major Capital Markets

	Period Ending 06/30/2023					
	Second Quarter	YTD	1-Year	3-Year ¹	5-Year ¹	10-Year ¹
Fixed Income						
Bloomberg Global Aggregate	-1.53%	1.43%	-1.32%	-4.96%	-1.09%	0.20%
Bloomberg U.S. Aggregate	-0.84%	2.09%	-0.94%	-3.96%	0.77%	1.52%
Bloomberg U.S. Long Gov't	-2.29%	3.73%	-6.79%	-12.02%	-0.88%	1.81%
Bloomberg U.S. Long Credit	-0.42%	4.97%	1.06%	-6.06%	1.53%	3.48%
Bloomberg U.S. Long Gov't/Credit	-1.29%	4.39%	-2.56%	-8.60%	0.66%	2.86%
Bloomberg U.S. TIPS	-1.42%	1.87%	-1.40%	-0.12%	2.49%	2.08%
Bloomberg U.S. High Yield	1.75%	5.38%	9.06%	3.13%	3.36%	4.43%
Bloomberg Global Treasury ex U.S.	-2.93%	0.09%	-2.77%	-7.04%	-3.23%	-1.13%
JP Morgan EMBI Global (Emerging Market)	1.53%	3.81%	6.85%	-2.68%	0.82%	2.60%
Commodities						
Bloomberg Commodity Index	-2.56%	-7.79%	-9.61%	17.82%	4.73%	-0.99%
Goldman Sachs Commodity Index	-2.73%	-7.54%	-14.22%	25.11%	2.76%	-3.52%
Hedge Funds						
HFRI Fund-Weighted Composite ²	2.24%	3.45%	5.09%	8.16%	4.98%	4.71%
HFRI Fund of Funds ²	1.52%	2.27%	3.67%	5.04%	3.32%	3.39%
Real Estate						
NAREIT U.S. Equity REITS	2.62%	5.37%	-0.13%	8.91%	4.55%	6.42%
FTSE Global Core Infrastructure Index	0.06%	-0.98%	-1.42%	6.89%	6.36%	7.45%
Private Equity						
Burgiss Private iQ Global Private Equity ³			-1.81%	19.78%	17.13%	15.20%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

¹ Periods are annualized.

² Latest 5 months of HFR data are estimated by HFR and may change in the future.

³ Burgiss Private iQ Global Private Equity data is as at September 30, 2022

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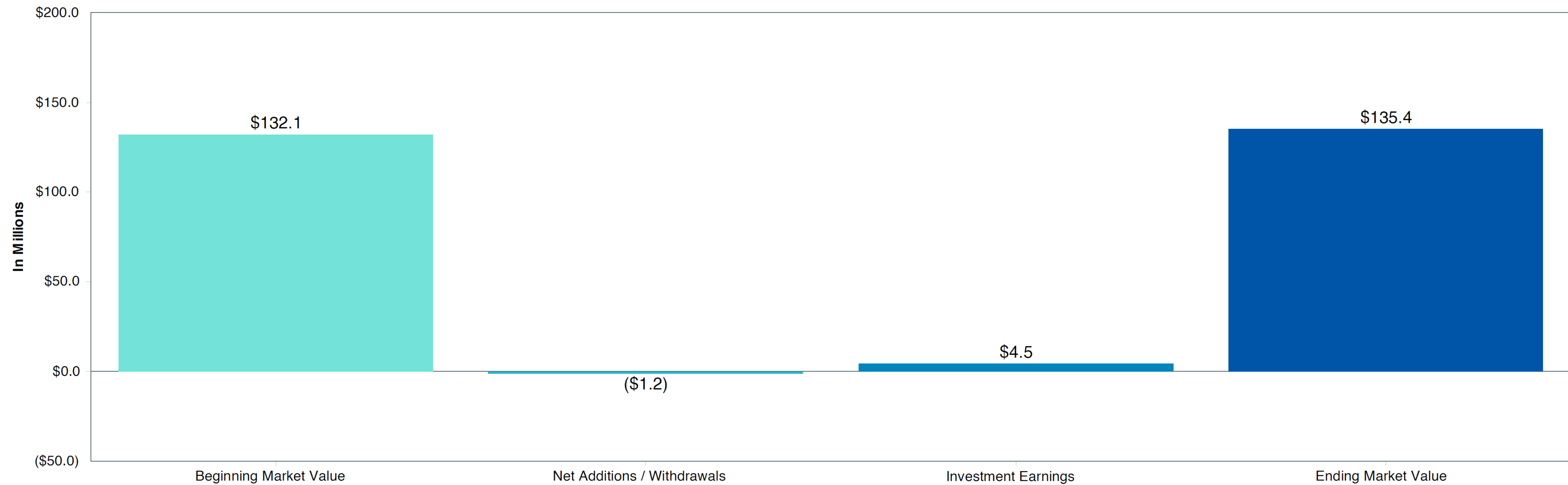
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Pension Plan Performance Summary



Total Plan Asset Summary

As of June 30, 2023

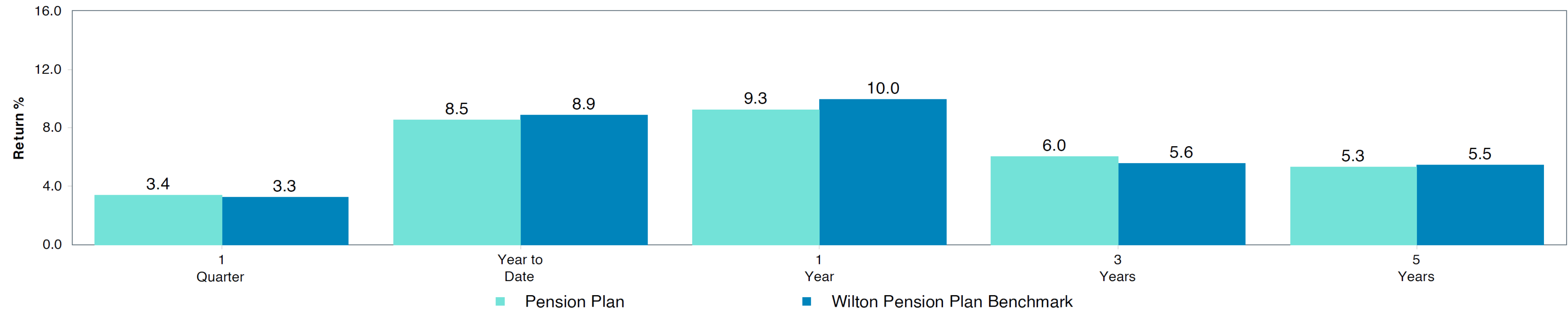


Summary of Cash Flows				
	1 Quarter	1 Year	Since Inception	Inception Date
Pension Plan				05/01/2012
Beginning Market Value	132,111,054	127,861,283	73,939,906	
+ Additions / Withdrawals	-1,224,513	-3,753,234	-14,023,481	
+ Investment Earnings	4,470,452	11,248,944	75,440,568	
= Ending Market Value	135,356,993	135,356,993	135,356,993	

Total Plan Performance Summary

As of June 30, 2023

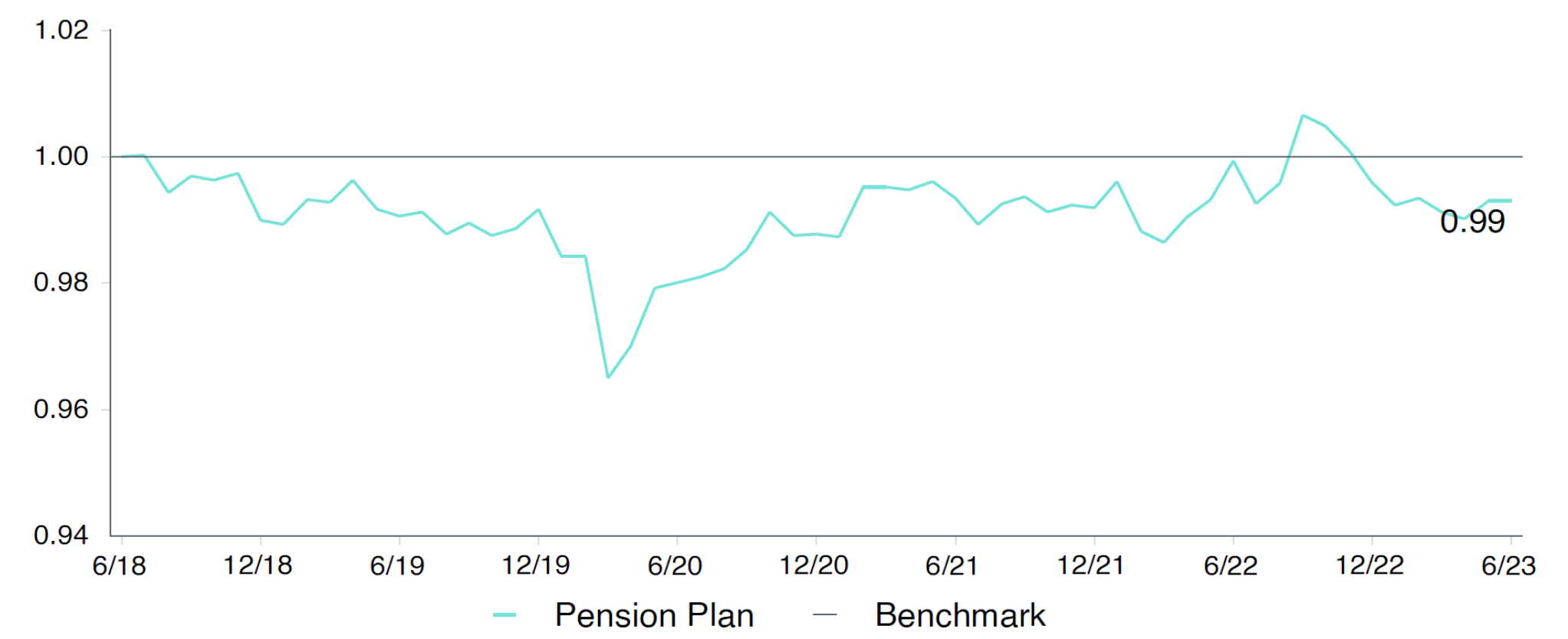
Return Summary



Quarterly Excess Performance



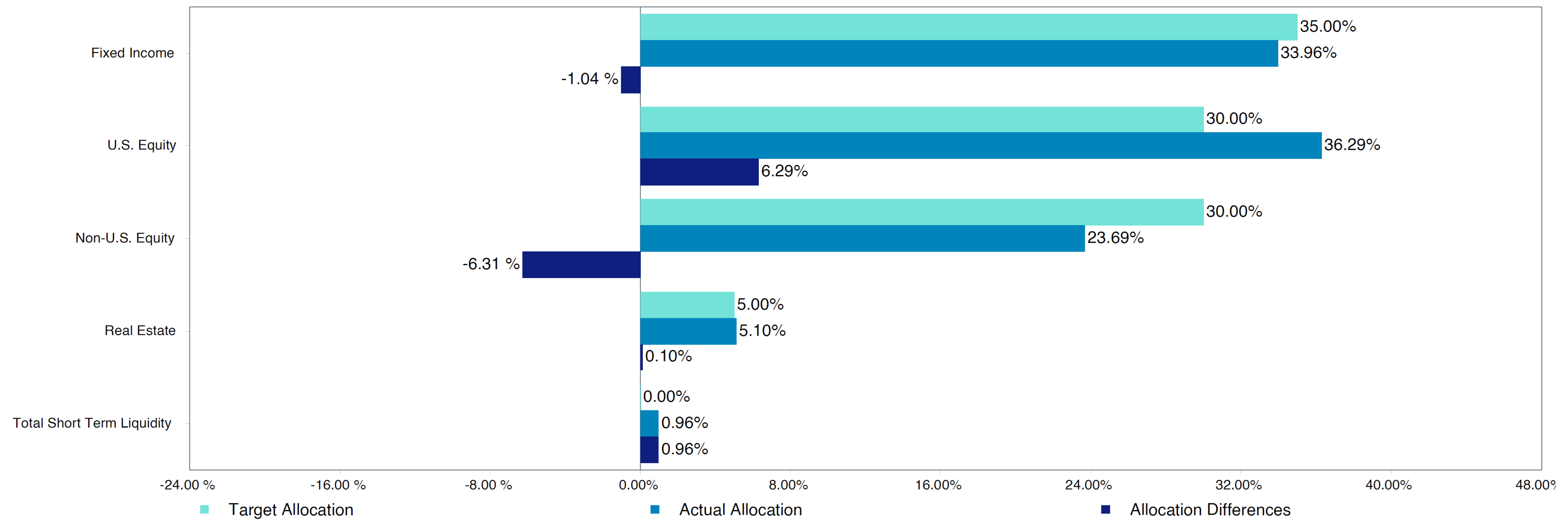
Ratio of Cumulative Wealth - 5 Years



Asset Allocation

As of June 30, 2023

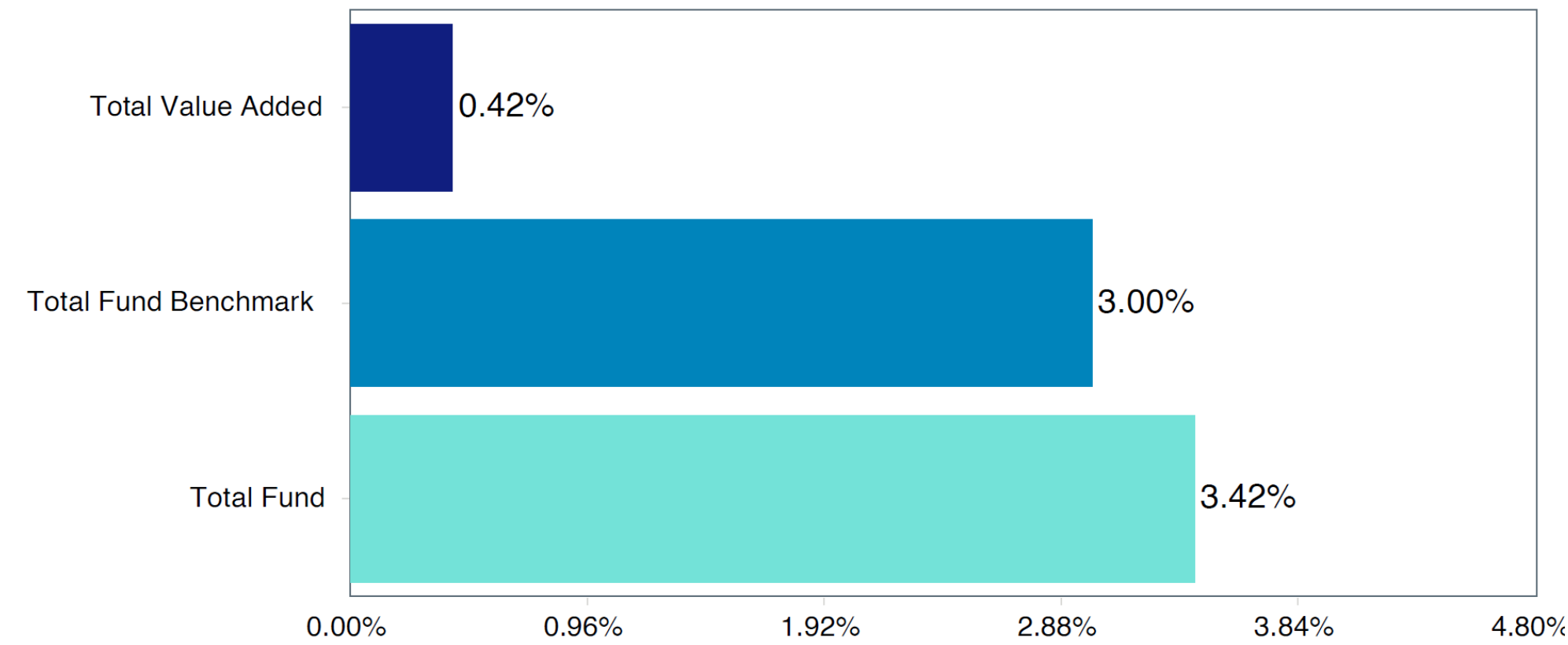
	Market Value \$	Current Allocation %	Target Allocation %	Differences %
Pension Plan	135,356,993.13	100.00	100.00	0.00
Fixed Income	45,960,657.19	33.96	35.00	-1.04
U.S. Equity	49,115,106.85	36.29	30.00	6.29
Non-U.S. Equity	32,072,208.22	23.69	30.00	-6.31
Real Estate	6,908,100.49	5.10	5.00	0.10



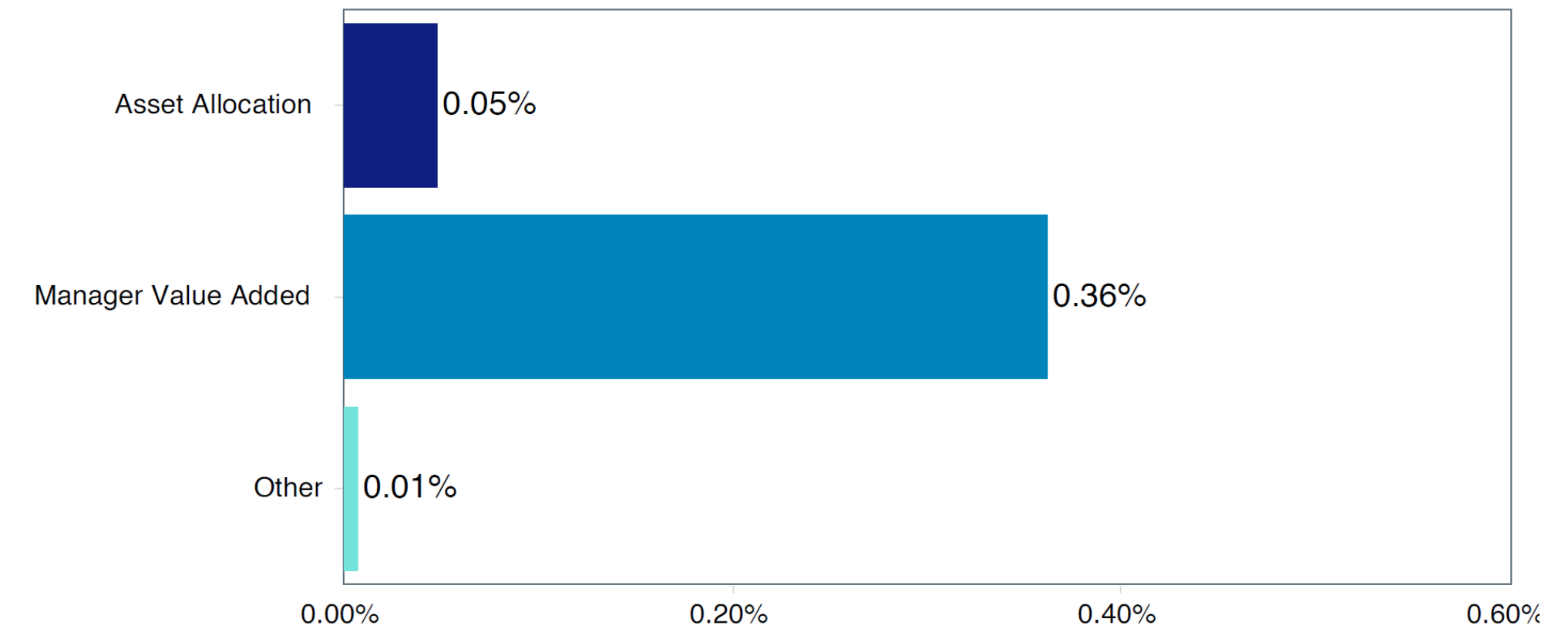
Pension Total Fund Attribution

1 Quarter as of June 30, 2023

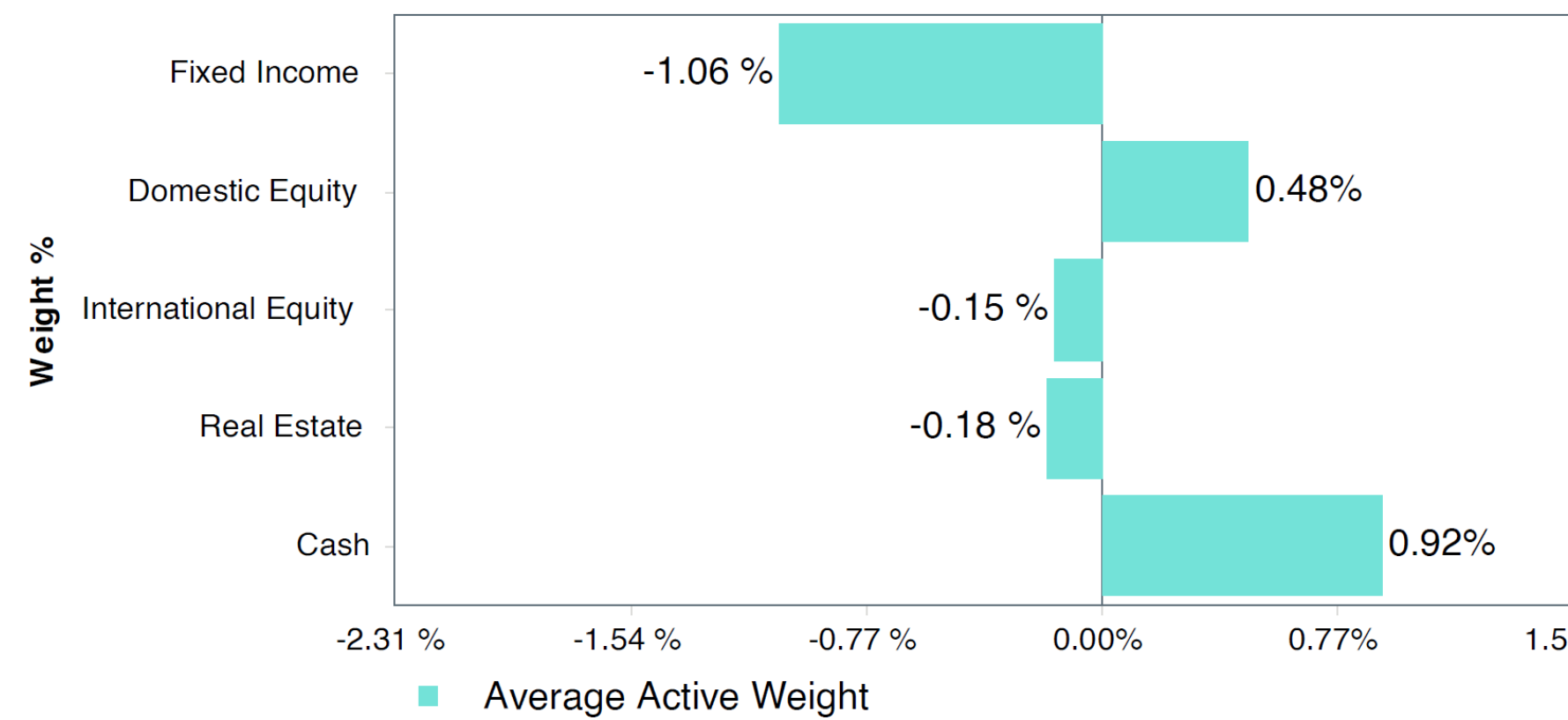
Total Fund Performance



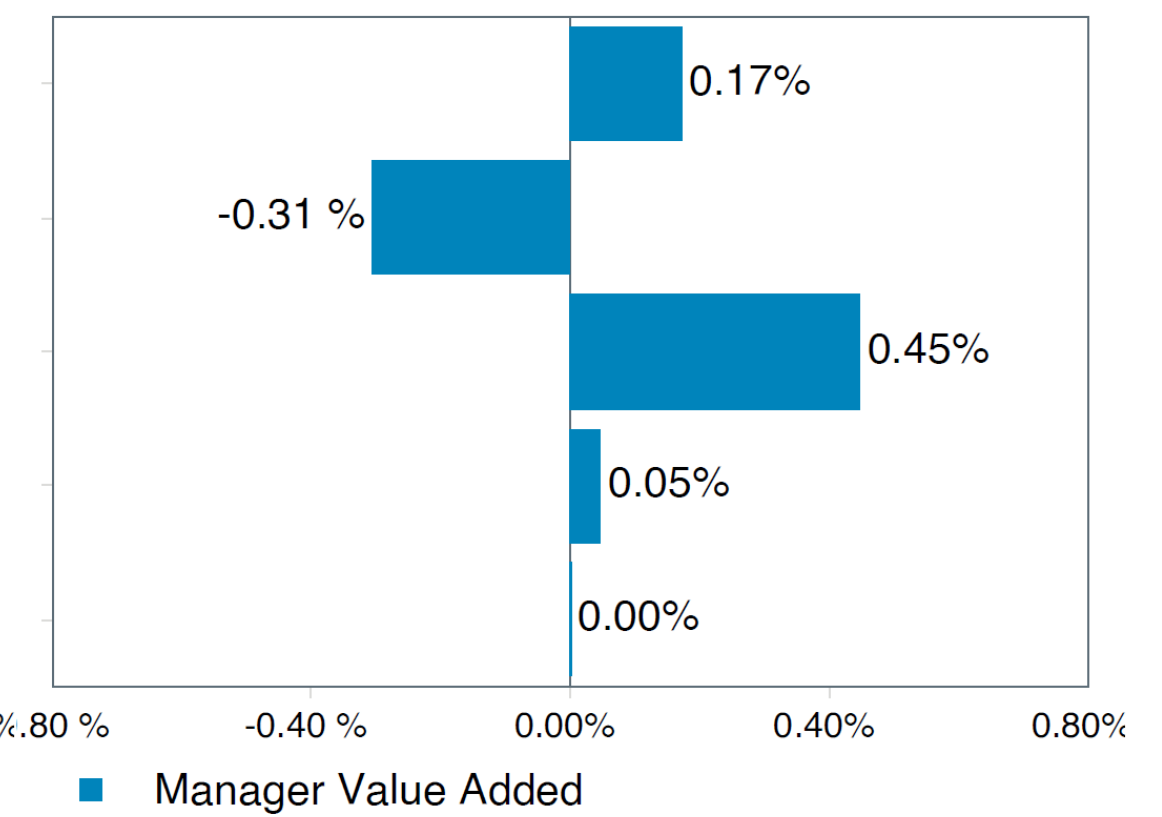
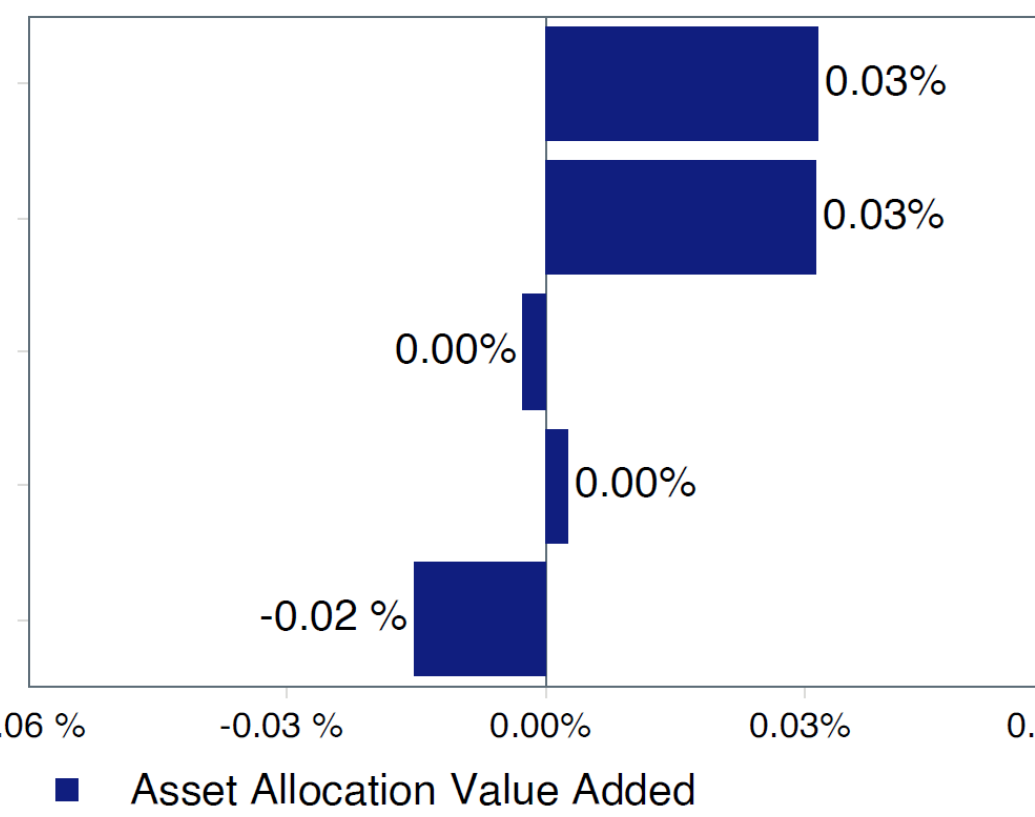
Total Value Added: 0.42%



Total Asset Allocation: 0.05%



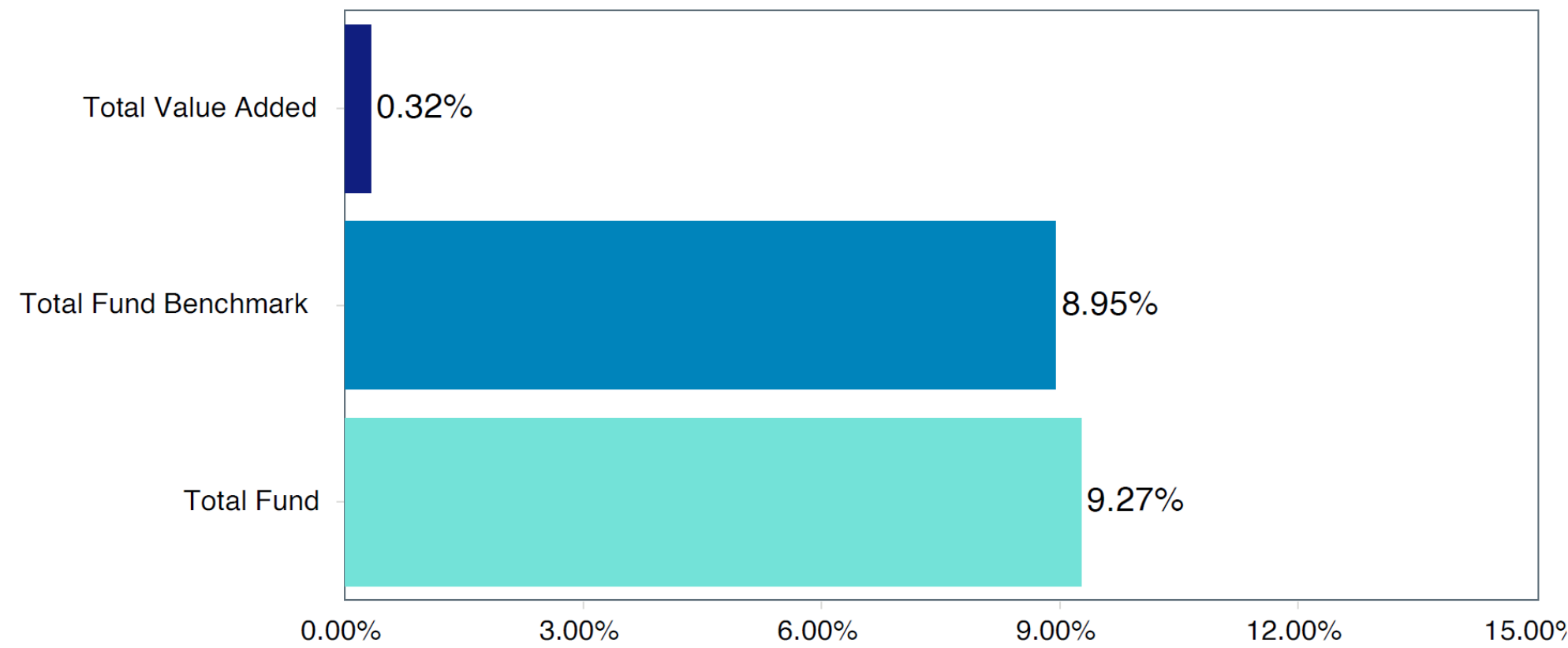
Total Manager Value Added: 0.36%



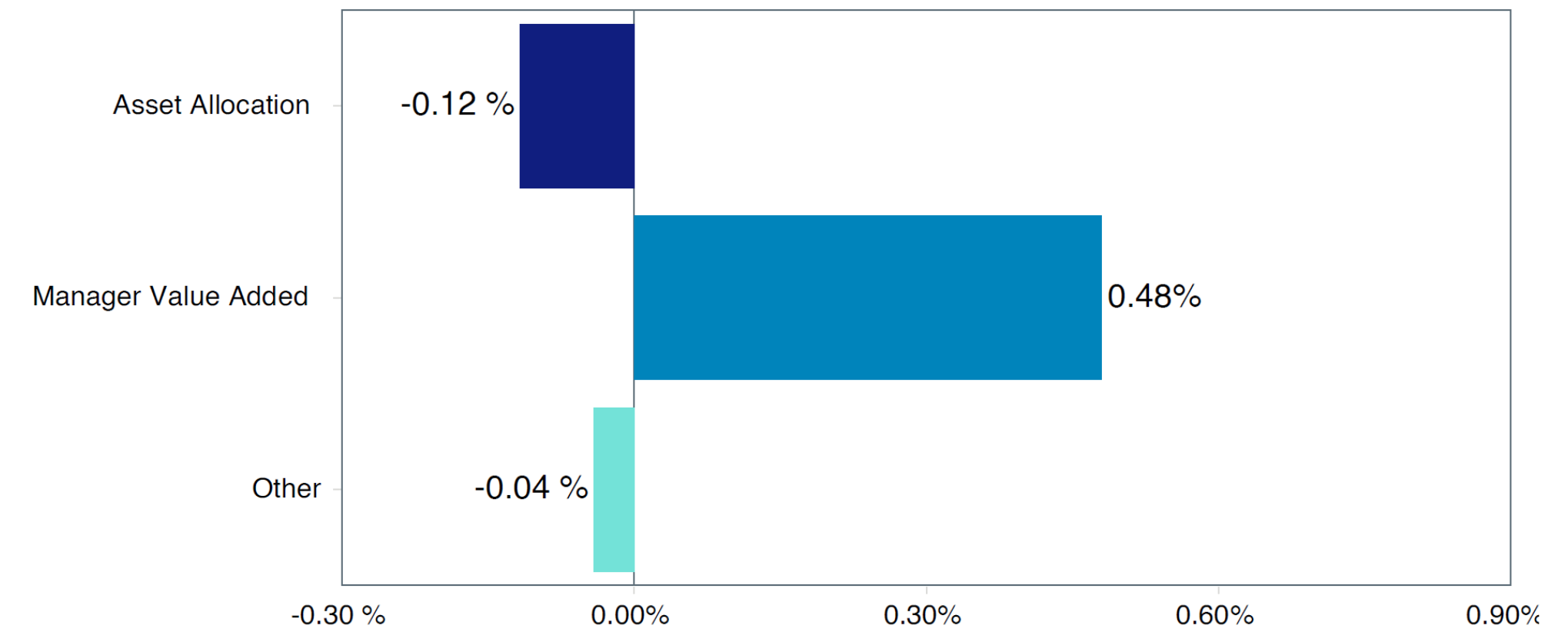
Pension Total Fund Attribution

1 Year as of June 30, 2023

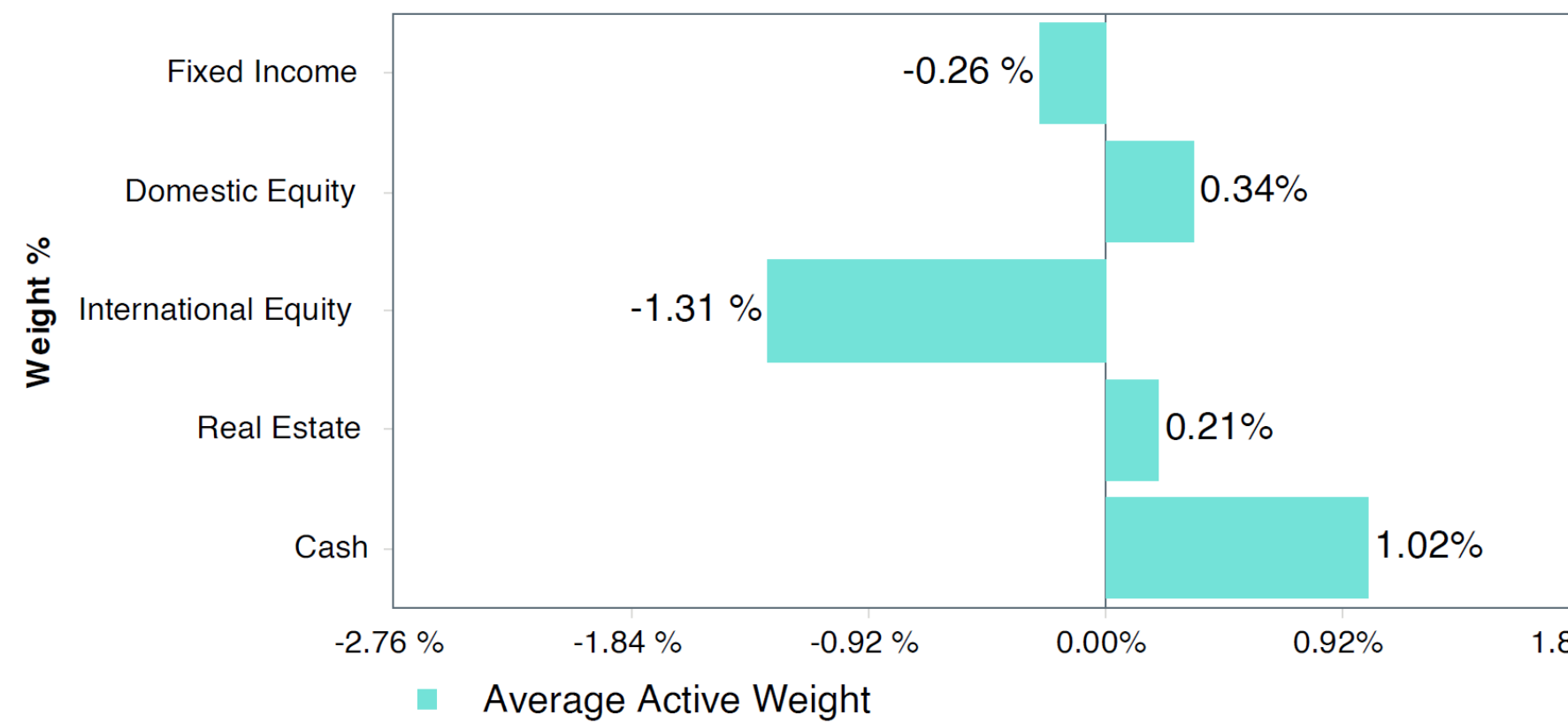
Total Fund Performance



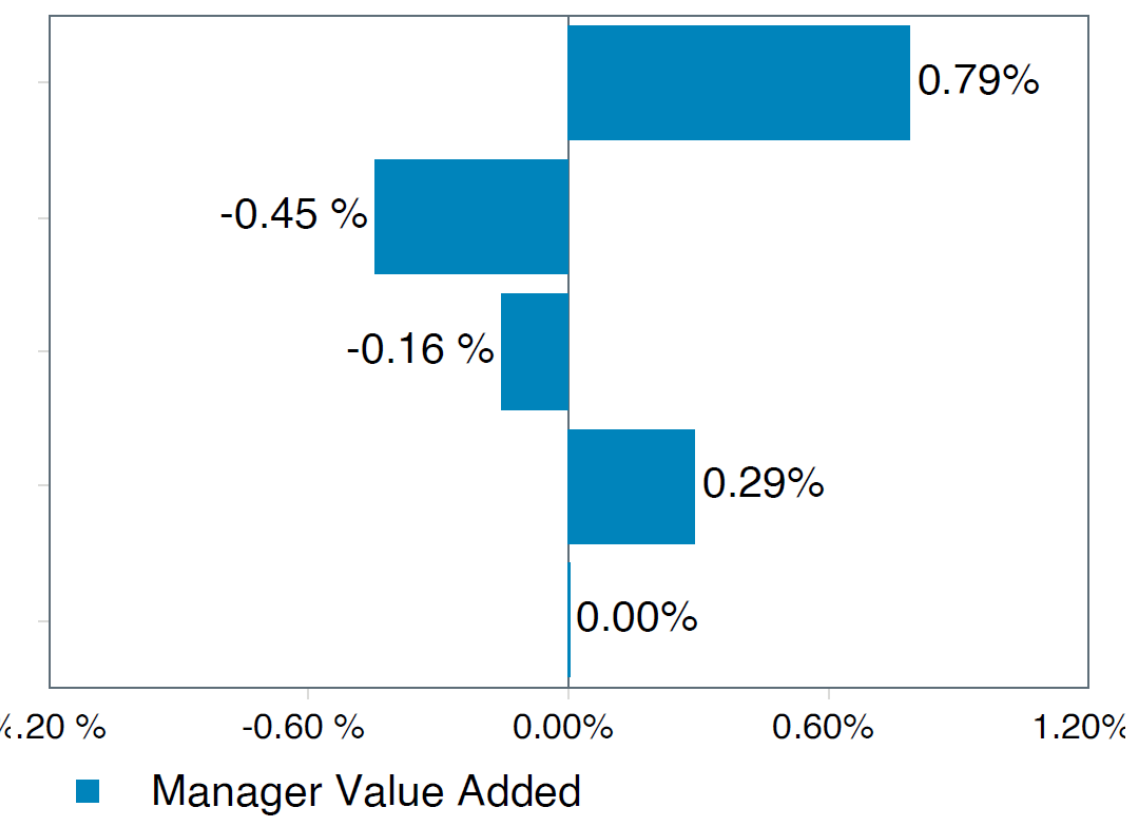
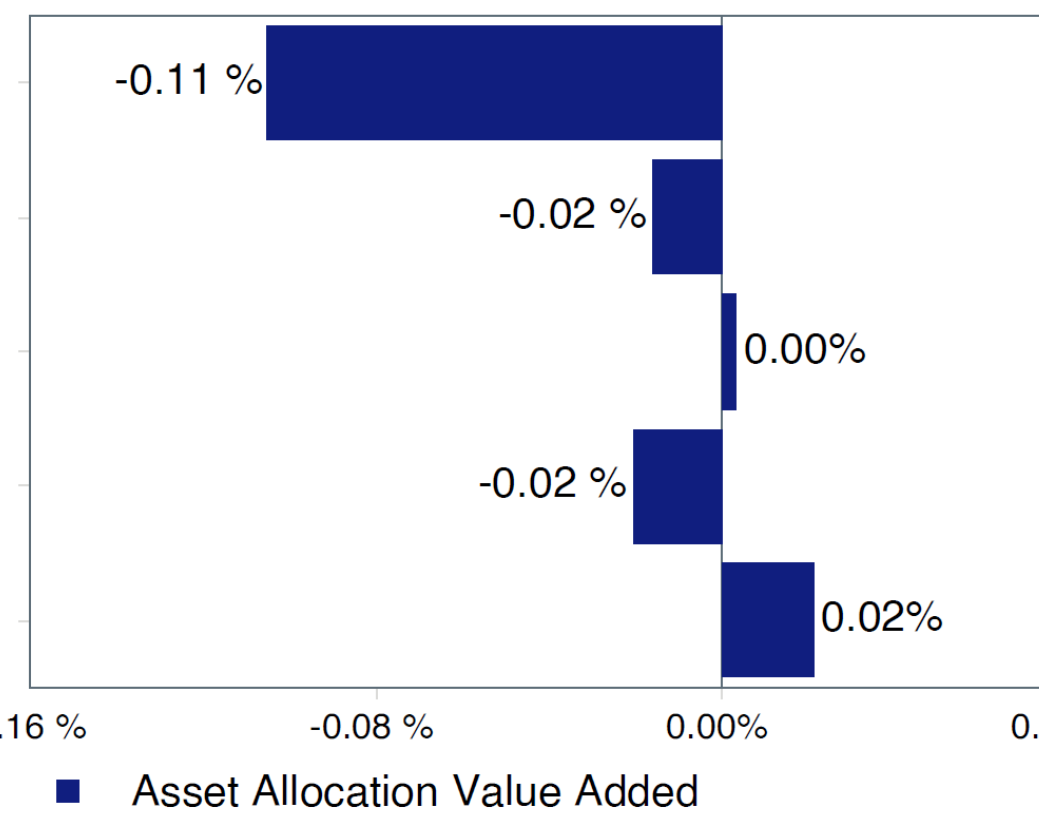
Total Value Added: 0.32%



Total Asset Allocation: -0.12%



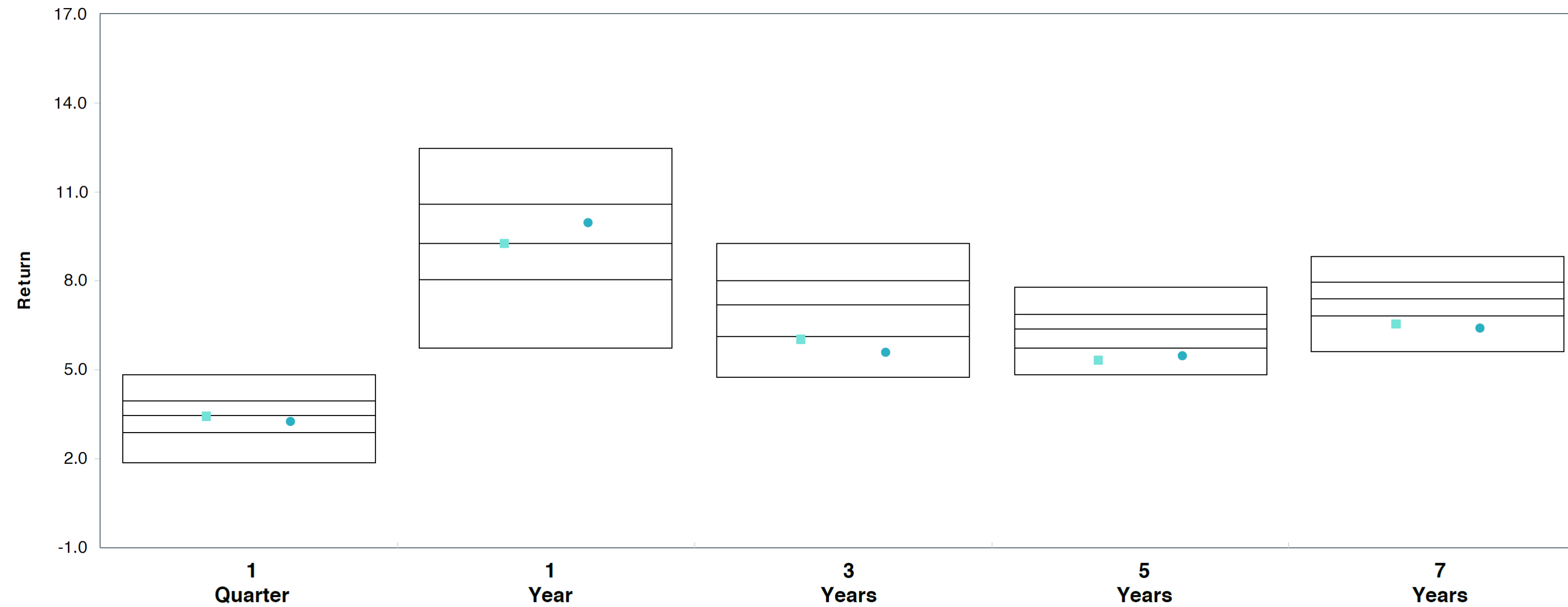
Total Manager Value Added: 0.48%



Plan Sponsor Peer Group Analysis

As of June 30, 2023

All Public Plans < \$1B-Total Fund



	1 Quarter	1 Year	3 Years	5 Years	7 Years
Pension Plan	3.4 (53)	9.3 (50)	6.0 (78)	5.3 (85)	6.6 (83)
● Wilton Pension Plan Benchmark	3.3 (61)	10.0 (36)	5.6 (86)	5.5 (83)	6.4 (86)
5th Percentile	4.8	12.5	9.3	7.8	8.8
1st Quartile	3.9	10.6	8.0	6.9	7.9
Median	3.5	9.3	7.2	6.4	7.4
3rd Quartile	2.9	8.0	6.1	5.7	6.8
95th Percentile	1.9	5.8	4.7	4.8	5.6
Population	383	374	364	350	333

Parentheses contain percentile rankings.

Performance

As of June 30, 2023

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Pension Plan	135,356,993	100.0	100.0	3.4	8.5	9.3	6.0	5.3	6.6	6.4	05/01/2012
<i>Wilton Pension Plan Benchmark</i>				3.3	8.9	10.0	5.6	5.5	6.4	6.4	
Fixed Income	45,960,657	34.0	35.0	-0.4	2.8	1.1	-1.4	1.5	1.6	3.5	05/01/2008
<i>Wilton Pension FI Hybrid BB</i>				-0.1	3.0	1.8	-3.3	1.0	0.6	2.9	
Vanguard Total Bond Market Index Instl	6,894,967	5.1		-0.9 (75)	2.2 (64)	-0.9 (67)	-4.0 (76)	0.8 (60)	0.4 (74)	1.0 (64)	12/01/2014
<i>Blmbg. U.S. Aggregate</i>				-0.8 (65)	2.1 (74)	-0.9 (70)	-4.0 (71)	0.8 (62)	0.4 (73)	1.0 (64)	
IM U.S. Broad Market Core Fixed Income (MF) Median				-0.8	2.4	-0.6	-3.6	0.9	0.7	1.2	
Metropolitan West Total Return Bond PI	13,209,522	9.8		-1.2 (97)	2.2 (82)	-1.3 (93)	-4.0 (95)	0.9 (78)	0.7 (91)	2.1 (47)	05/01/2012
<i>Blmbg. U.S. Aggregate</i>				-0.8 (77)	2.1 (90)	-0.9 (85)	-4.0 (93)	0.8 (84)	0.4 (99)	1.4 (94)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				-0.5	2.7	0.4	-2.9	1.3	1.2	2.0	
PGIM Total Return Bond R6	6,923,535	5.1		0.0 (9)	3.2 (16)	0.7 (30)	-3.3 (72)	1.1 (65)	1.2 (46)	1.8 (30)	01/01/2015
<i>Blmbg. U.S. Aggregate</i>				-0.8 (77)	2.1 (90)	-0.9 (85)	-4.0 (93)	0.8 (84)	0.4 (99)	1.0 (84)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				-0.5	2.7	0.4	-2.9	1.3	1.2	1.5	
PIMCO Income Fund	6,922,866	5.1		1.2 (17)	3.8 (22)	5.3 (16)	-	-	-	-0.1 (18)	12/01/2020
<i>Blmbg. U.S. Aggregate</i>				-0.8 (91)	2.1 (78)	-0.9 (84)	-	-	-	-5.0 (87)	
IM Multi-Sector General Bond (MF) Median				0.1	2.9	1.6	-	-	-	-2.1	
Apollo Total Return Fund	5,483,132	4.1		1.6 (10)	3.9 (20)	5.2 (18)	-	-	-	1.6 (5)	01/01/2021
<i>50/50 ML Master II & Credit Suisse LLI</i>				0.0 (56)	0.0 (95)	3.9 (28)	-	-	-	-0.3 (15)	
IM Multi-Sector General Bond (MF) Median				0.1	2.9	1.6	-	-	-	-2.7	
Aon Opportunistic Credit Fund	3,231,407	2.4		0.0	3.1	1.9	-	-	-	3.7	02/01/2021
<i>Opportunistic Credit Custom Index*</i>				0.9	2.6	2.7	-	-	-	0.9	
Barings North American Private Debt Fund	3,295,228	2.4		0.0	4.5	1.7	-	-	-	10.6	11/01/2021

*As of January 2011, The Opportunistic Credit Custom Index consists of 12.5% Bloomberg U.S. Corporate High Yield Index, 12.5% S&P/LSTA Leveraged Loan Index, 25% HFRI RV: Fixed Income-Asset Backed Index, 25% HFRI ED: Distressed/Restructuring Index and 25% Barclays U.S. CMBS 2.0 Index

**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Performance

As of June 30, 2023

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Cash Equivalents	1,300,920	1.0	0.0	0.0	-0.2	0.5	0.2	0.8	0.8	0.5	05/01/2008
<i>90 Day U.S. Treasury Bill</i>				1.2	2.3	3.6	1.3	1.6	1.4	0.7	
Allspring Government MM Fund	1,300,920	1.0		0.0	-0.2	0.5	0.2	0.8	0.8	0.5	05/01/2012
<i>90 Day U.S. Treasury Bill</i>				1.2	2.3	3.6	1.3	1.6	1.4	0.9	
U.S. Equity	49,115,107	36.3	30.0	7.3	13.6	17.4	14.8	11.2	12.4	10.0	05/01/2008
<i>Russell 3000 Index</i>				8.4	16.2	19.0	13.9	11.4	12.9	10.0	
Vanguard Institutional Index Fund Instl	37,551,767	27.7		8.7 (35)	16.9 (26)	19.5 (22)	14.6 (17)	12.3 (15)	13.4 (16)	13.1 (7)	05/01/2012
<i>S&P 500 Index</i>				8.7 (18)	16.9 (7)	19.6 (9)	14.6 (7)	12.3 (5)	13.4 (1)	13.1 (1)	
IM S&P 500 Index (MF) Median				8.7	16.8	19.4	14.4	12.1	13.2	12.9	
Diamond Hill Small-Mid Cap Y	5,605,115	4.1		3.4 (73)	6.3 (40)	10.5 (65)	16.6 (64)	6.2 (80)	7.7 (88)	10.0 (46)	05/01/2012
<i>Russell 2500 Value Index</i>				4.4 (53)	5.8 (45)	10.4 (67)	16.1 (66)	5.3 (86)	8.0 (80)	9.2 (70)	
IM U.S. Mid Cap Value Equity (MF) Median				4.6	5.3	12.5	17.7	7.3	9.4	9.9	
Eaton Vance Atlanta Capital SMID Instl	5,958,225	4.4		4.0 (75)	5.0 (98)	13.9 (67)	13.6 (12)	9.6 (8)	11.6 (27)	12.5 (2)	05/01/2012
<i>Russell 2500 Growth Index</i>				6.4 (36)	13.4 (35)	18.6 (27)	6.6 (70)	7.0 (48)	11.0 (32)	10.9 (34)	
IM U.S. SMID Cap Growth Equity (MF) Median				5.4	12.0	15.5	9.5	6.9	10.1	10.4	

*As of January 2011, The Opportunistic Credit Custom Index consists of 12.5% Bloomberg U.S. Corporate High Yield Index, 12.5% S&P/LSTA Leveraged Loan Index, 25% HFRI RV: Fixed Income-Asset Backed Index, 25% HFRI ED: Distressed/Restructuring Index and 25% Barclays U.S. CMBS 2.0 Index

**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Performance

As of June 30, 2023

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Non-U.S. Equity	32,072,208	23.7	30.0	4.0	10.9	12.4	5.1	2.6	6.0	2.1	05/01/2008
<i>MSCI AC World ex USA Index (Net)</i>				2.4	9.5	12.7	7.2	3.5	6.3	2.4	
American Funds EuroPacific Growth R6	9,345,849	6.9		2.2 (90)	12.2 (49)	15.8 (68)	5.5 (96)	4.3 (59)	7.4 (20)	4.6 (1)	07/01/2014
<i>MSCI AC World ex USA Index (Net)</i>				2.4 (86)	9.5 (80)	12.7 (81)	7.2 (81)	3.5 (84)	6.3 (65)	3.0 (72)	
IM International Large Cap Core Equity (MF) Median				3.4	12.1	17.9	8.9	4.4	6.6	3.3	
T. Rowe Price Overseas Stock Instl	9,383,263	6.9		3.9 (16)	11.1 (71)	16.5 (62)	9.2 (39)	4.3 (60)	7.3 (23)	-	07/01/2014
<i>MSCI EAFE Index (Net)</i>				3.0 (75)	11.7 (61)	18.8 (34)	8.9 (49)	4.4 (52)	6.9 (41)	3.6 (36)	
IM International Large Cap Core Equity (MF) Median				3.4	12.1	17.9	8.9	4.4	6.6	3.3	
Templeton Instl Foreign Smaller Companies Fund Adv	3,999,710	3.0		1.1 (40)	8.8 (39)	10.0 (95)	6.1 (91)	0.6 (73)	5.0 (77)	4.9 (-)	05/01/2012
<i>MSCI AC World ex USA Small Cap (Net)</i>				2.0 (36)	6.8 (58)	10.9 (79)	8.1 (79)	2.6 (43)	6.1 (47)	5.7 (-)	
IM International SMID Cap Core Equity (MF) Median				0.8	7.2	12.3	9.2	2.0	5.9	-	
GQG Partners Emerging Markets Equity	6,693,747	4.9		10.3 (3)	13.8 (4)	9.3 (21)	-	-	-	-5.0 (40)	01/01/2021
<i>MSCI Emerging Markets Index</i>				1.0 (69)	5.1 (74)	2.2 (69)	-	-	-	-7.4 (56)	
IM Emerging Markets Equity (MF) Median				1.8	6.8	4.6	-	-	-	-6.9	
William Blair Emerging Markets Leaders Fund; R6	2,649,639	2.0		0.8 (73)	4.8 (77)	1.2 (77)	-	-	-	-12.3 (88)	01/01/2021
<i>MSCI Emerging Markets Index</i>				1.0 (69)	5.1 (74)	2.2 (69)	-	-	-	-7.4 (56)	
IM Emerging Markets Equity (MF) Median				1.8	6.8	4.6	-	-	-	-6.9	
Real Estate	6,908,100	5.1	5.0	2.2	5.2	1.1	9.8	7.5	7.4	8.4	07/01/2012
<i>Wilton Pension Real Estate</i>				1.2	3.0	-4.4	6.4	4.7	3.4	6.6	
Cohen & Steers Institutional Realty Shares	4,684,066	3.5		3.1 (21)	5.6 (28)	-2.4 (43)	-	-	-	5.2 (19)	01/01/2021
<i>FTSE NAREIT All Equity REITs</i>				1.2 (67)	3.0 (81)	-4.4 (75)	-	-	-	3.6 (51)	
IM Real Estate Sector (MF) Median				1.7	4.4	-3.0	-	-	-	3.6	
Westbrook Real Estate Fund XI	2,224,034	1.6		0.0	3.8	10.6	-	-	-	16.6	02/01/2021

*As of January 2011, The Opportunistic Credit Custom Index consists of 12.5% Bloomberg U.S. Corporate High Yield Index, 12.5% S&P/LSTA Leveraged Loan Index, 25% HFRI RV: Fixed Income-Asset Backed Index, 25% HFRI ED: Distressed/Restructuring Index and 25% Barclays U.S. CMBS 2.0 Index

**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Performance as of March 31, 2023

Lagged Fund Update

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Pension Plan	132,111,054	100.0	100.0	5.0	5.0	-5.9	9.8	4.7	6.3	6.2	05/01/2012
<i>Wilton Pension Plan Benchmark</i>				5.4	5.4	-6.4	8.8	5.0	6.2	6.3	
Fixed Income	44,742,523	33.9	35.0	3.1	3.1	-3.7	0.0	1.5	1.9	3.6	05/01/2008
<i>Wilton Pension FI Hybrid BB</i>				3.2	3.2	-4.4	-2.3	0.9	1.0	3.0	
Vanguard Total Bond Market Index Instl	5,802,193	4.4		3.2 (47)	3.2 (47)	-4.7 (29)	-2.8 (84)	0.9 (56)	0.9 (73)	1.2 (65)	12/01/2014
<i>Blmbg. U.S. Aggregate</i>				3.0 (73)	3.0 (73)	-4.8 (36)	-2.8 (84)	0.9 (58)	0.9 (73)	1.2 (65)	
IM U.S. Broad Market Core Fixed Income (MF) Median				3.2	3.2	-5.0	-1.8	1.0	1.2	1.3	
Metropolitan West Total Return Bond PI	13,379,398	10.1		3.5 (23)	3.5 (23)	-5.8 (77)	-2.3 (92)	1.1 (68)	1.1 (86)	2.2 (37)	05/01/2012
<i>Blmbg. U.S. Aggregate</i>				3.0 (77)	3.0 (77)	-4.8 (42)	-2.8 (98)	0.9 (80)	0.9 (99)	1.5 (93)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				3.3	3.3	-5.0	-0.7	1.4	1.6	2.1	
PGIM Total Return Bond R6	6,923,506	5.2		3.2 (63)	3.2 (63)	-6.0 (86)	-1.1 (68)	1.0 (76)	1.7 (47)	1.8 (36)	01/01/2015
<i>Blmbg. U.S. Aggregate</i>				3.0 (77)	3.0 (77)	-4.8 (42)	-2.8 (98)	0.9 (80)	0.9 (99)	1.2 (84)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				3.3	3.3	-5.0	-0.7	1.4	1.6	1.6	
PIMCO Income Fund	6,840,435	5.2		2.6 (59)	2.6 (59)	-1.3 (15)	-	-	-	-0.7 (18)	12/01/2020
<i>Blmbg. U.S. Aggregate</i>				3.0 (44)	3.0 (44)	-4.8 (60)	-	-	-	-5.2 (84)	
IM Multi-Sector General Bond (MF) Median				2.8	2.8	-4.4	-	-	-	-2.4	
Apollo Total Return Fund	5,492,885	4.2		2.3 (71)	2.3 (71)	-0.8 (10)	-	-	-	1.0 (4)	01/01/2021
<i>50/50 ML Master II & Credit Suisse LLI</i>				0.0 (96)	0.0 (96)	-3.5 (37)	-	-	-	-0.3 (12)	
IM Multi-Sector General Bond (MF) Median				2.8	2.8	-4.4	-	-	-	-3.1	
Aon Opportunistic Credit Fund	3,258,877	2.5		3.1	3.1	-2.9	-	-	-	4.1	02/01/2021
<i>Opportunistic Credit Custom Index*</i>				1.6	1.6	-2.3	-	-	-	0.6	
Barings North American Private Debt Fund	3,045,228	2.3		4.5	4.5	4.1	-	-	-	12.5	11/01/2021

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**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Performance as of March 31, 2023

Lagged Fund Update

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Cash Equivalents	1,603,929	1.2	0.0	-0.2	-0.2	0.6	0.2	0.9	0.8	0.5	05/01/2008
<i>90 Day U.S. Treasury Bill</i>				1.1	1.1	2.5	0.9	1.4	1.2	0.7	
Allspring Government MM Fund	1,603,929	1.2		-0.2	-0.2	0.6	0.2	0.9	0.8	0.5	05/01/2012
<i>90 Day U.S. Treasury Bill</i>				1.1	1.1	2.5	0.9	1.4	1.2	0.8	
U.S. Equity	40,060,796	30.3	30.0	5.8	5.8	-7.4	19.3	10.4	11.7	9.7	05/01/2008
<i>Russell 3000 Index</i>				7.2	7.2	-8.6	18.5	10.5	12.0	9.6	
Vanguard Institutional Index Fund Instl	28,909,384	21.9		7.5 (29)	7.5 (29)	-7.8 (25)	18.6 (23)	11.2 (16)	12.4 (7)	12.5 (7)	05/01/2012
<i>S&P 500 Index</i>				7.5 (11)	7.5 (11)	-7.7 (4)	18.6 (2)	11.2 (3)	12.4 (1)	12.6 (1)	
IM S&P 500 Index (MF) Median				7.5	7.5	-7.9	18.4	11.0	12.3	12.4	
Diamond Hill Small-Mid Cap Y	5,422,413	4.1		2.9 (15)	2.9 (15)	-8.2 (78)	22.7 (49)	6.1 (70)	7.5 (85)	9.9 (46)	05/01/2012
<i>Russell 2500 Value Index</i>				1.4 (43)	1.4 (43)	-10.5 (91)	21.8 (65)	5.6 (76)	8.0 (75)	9.0 (78)	
IM U.S. Mid Cap Value Equity (MF) Median				1.4	1.4	-6.6	22.4	7.0	8.8	9.8	
Eaton Vance Atlanta Capital SMID Instl	5,728,999	4.3		1.0 (99)	1.0 (99)	-3.4 (7)	19.9 (19)	9.5 (13)	11.5 (25)	12.4 (4)	05/01/2012
<i>Russell 2500 Growth Index</i>				6.5 (47)	6.5 (47)	-10.4 (52)	14.7 (68)	6.8 (51)	10.4 (40)	10.5 (32)	
IM U.S. SMID Cap Growth Equity (MF) Median				6.2	6.2	-10.3	16.8	6.9	9.9	10.1	

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**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Performance as of March 31, 2023

Lagged Fund Update

	Allocation			Performance %							
	Market Value \$	%	Policy %	1 Quarter	Year to Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Non-U.S. Equity	39,331,886	29.8	30.0	6.7	6.7	-6.7	10.7	1.1	5.3	1.9	05/01/2008
<i>MSCI AC World ex USA Index (Net)</i>				6.9	6.9	-5.1	11.8	2.5	5.9	2.2	
American Funds EuroPacific Growth R6	11,402,793	8.6		9.9 (19)	9.9 (19)	-3.3 (69)	12.1 (62)	3.3 (59)	7.0 (16)	4.5 (1)	07/01/2014
<i>MSCI AC World ex USA Index (Net)</i>				6.9 (81)	6.9 (81)	-5.1 (81)	11.8 (70)	2.5 (75)	5.9 (59)	2.8 (65)	
IM International Large Cap Core Equity (MF) Median				8.6	8.6	-2.4	13.2	3.4	6.1	3.1	
T. Rowe Price Overseas Stock Instl	11,526,592	8.7		6.9 (80)	6.9 (80)	-3.4 (69)	13.9 (38)	3.1 (64)	6.4 (32)	-	07/01/2014
<i>MSCI EAFE Index (Net)</i>				8.5 (54)	8.5 (54)	-1.4 (41)	13.0 (53)	3.5 (42)	6.2 (46)	3.3 (34)	
IM International Large Cap Core Equity (MF) Median				8.6	8.6	-2.4	13.2	3.4	6.1	3.1	
Templeton Instl Foreign Smaller Companies Fund Adv	4,844,325	3.7		7.7 (13)	7.7 (13)	-5.4 (40)	13.5 (66)	-0.3 (62)	4.3 (63)	4.9 (-)	05/01/2012
<i>MSCI AC World ex USA Small Cap (Net)</i>				4.7 (85)	4.7 (85)	-10.4 (100)	15.0 (40)	1.7 (31)	5.7 (41)	5.7 (-)	
IM International SMID Cap Core Equity (MF) Median				6.2	6.2	-5.7	14.5	0.9	5.4	-	
GQG Partners Emerging Markets Equity	6,069,557	4.6		3.2 (81)	3.2 (81)	-11.3 (75)	-	-	-	-9.6 (65)	01/01/2021
<i>MSCI Emerging Markets Index</i>				4.0 (65)	4.0 (65)	-10.3 (63)	-	-	-	-8.6 (52)	
IM Emerging Markets Equity (MF) Median				4.7	4.7	-9.4	-	-	-	-8.2	
William Blair Emerging Markets Leaders Fund; R6	5,488,619	4.2		4.0 (66)	4.0 (66)	-15.1 (90)	-	-	-	-13.9 (89)	01/01/2021
<i>MSCI Emerging Markets Index</i>				4.0 (65)	4.0 (65)	-10.3 (63)	-	-	-	-8.6 (52)	
IM Emerging Markets Equity (MF) Median				4.7	4.7	-9.4	-	-	-	-8.2	
Real Estate	6,371,921	4.8	5.0	2.9	2.9	-10.5	13.7	7.4	7.3	8.3	07/01/2012
<i>Wilton Pension Real Estate</i>				1.7	1.7	-19.4	10.6	6.3	4.2	6.6	
Cohen & Steers Institutional Realty Shares	4,541,941	3.4		2.4 (60)	2.4 (60)	-18.1 (22)	-	-	-	4.3 (25)	01/01/2021
<i>FTSE NAREIT All Equity REITs</i>				1.7 (80)	1.7 (80)	-19.4 (38)	-	-	-	3.4 (45)	
IM Real Estate Sector (MF) Median				2.6	2.6	-19.8	-	-	-	3.3	
Westbrook Real Estate Fund XI	1,829,980	1.4		3.8	3.8	17.7	-	-	-	18.7	02/01/2021

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**Aon Opportunities Credit Fund, Westbrook Real Estate Fund and Barings North American Private Debt Fund MVs as of prior quarter. Apollo Total Return MV as of prior month.

Ratings Report Card

Pension

Fund	Aon Rating
Vanguard Total Bond Market Index	Buy
MetWest Total Return Bond	In Review (Buy)
PGIM Total Return Bond	Buy
PIMCO Income Fund	Buy
Apollo Total Return Fund	Buy
Vanguard Institutional Index	Buy
Diamond Hill Small Mid Cap	Not Recommended
Eaton Vance Atlanta Capital SMID Cap	Qualified
AF EuroPacific Growth	Buy
T Rowe Price Overseas Stock	Qualified
Templeton Institutional Foreign Small Comp	Not Recommended
GQG Partners Emerging Markets Equity	Buy
William Blair Emerging Markets Leaders Fund	Buy
Cohen & Steers Institutional Realty Shares	Buy
Westbrook Real Estate Fund	N/A

¹ Qualified rating may be assigned based on a Qualitative or Quantitative Review

² Sub-advisor strategy has a Buy rating

³ Sub-advisor strategy has a Qualified rating

Many factors are considered when selecting and monitoring the investment options including, but not limited to:

- Business – Ownership structure, profitability, stability of organization, client, asset base
- Investment Staff – Quality of personnel, depth of resources, turnover, succession planning
- Investment Process – Skilled investment decisions, clear and repeatable processes, understanding of competitive advantages
- Risk Management – Embedded in broader investment process, independently verified
- Performance – Risk-adjusted returns, compared to appropriate benchmarks and peer groups, measured over multiple periods
- Operational Due Diligence – Operational controls, valuation of assets, independent directors
- Terms & Conditions – Investment expenses should be reasonable for the value provided and benchmarked for reasonability based on the specific type of investment strategy being evaluated
- ESG – Degree to which the team is aware of potential ESG risks and has taken steps to identify, evaluate and mitigate these risks

3

Aon Medium Term Views



Key Issues in markets today

1



Interest rate peaks?

Will inflation pressures fall sufficiently to allow rates to peak earlier and at lower levels than central bank rhetoric suggests?

2



Recession or soft landing?

A global recession has been avoided so far, but is this just a delay or can a soft landing be achieved even as interest rates continue rising?

3



Market expectations – fair or complacent?

Markets have held up well and seem to be disregarding central bank rhetoric on rates as well as anticipating a soft landing. Is this reasonable or complacent?

Core Views

Markets still expecting US rate cuts to happen too soon

Our core view, held for some time, has been that markets have underestimated interest rate peaks and erred in their expectations of early interest rate cuts. Expectations of peak rates are now more reasonable, although still too low in the US. Recent upward moves in rate curves, particularly at the front-end, suggest that some of these errors have now corrected, but not all.

Recessionary trends delayed rather than avoided

The global economy, and particularly the US economy, has so far dodged the feared recession bullet well. However, it is far from out of the woods and our view is that the impact of the big move in interest rates and bank credit risk aversion from the US regional bank troubles has yet to be fully felt. A further slowdown into recession or near-recession territory still seems more likely than not over the next 6 to 12 months.

Risky assets face headwinds from both higher rates and recessionary trends

The problem for risky assets is that any central bank pivot may only come once recession is confirmed which will be bad for corporate profitability. A soft-landing scenario would keep interest rates higher for longer which is not that constructive for risky assets.

Actions

- **Some value in IG credit but position-building should be gradual**
- **Not yet time to raise equity allocations**

View Shifts



Moved to neutral versus sterling

We have been positive on sterling but we think that its rally on the back of high interest rate expectations will run out of steam. We are therefore moving neutral in sterling against the US dollar.

Cross Asset Views

---	--	-	=	+	++	+++
		Equities				
			Core fixed income			
		Return-seeking fixed income				
				Alts*		
				Cash		

- We think that equity markets have still not priced in the extent of weaker corporate earnings as the global economy slows. Our view that policy rates could stay higher for longer than the market is generally expecting also presents a challenge to equities. This keeps us underweight equities.
- We are maintaining a neutral US duration view as the upside and downside risks to government bond yields are more balanced now. Global headline inflation has continued to fall but we expect US treasury yields to remain range-bound.
- We are keeping our preference for government bonds and less risky credit over return-seeking fixed income whilst there is upward pressure on credit spreads. We consider that there will be a better buying opportunity once spreads widen despite currently attractive yield levels.
- Cash rates continue to be attractive relative to the uncertain outlook of traditional asset classes which means a small cash allocation makes sense. We continue to recommend alternative diversifiers as they should provide resilience to portfolios.



* Alternative asset classes as shown on the next page

Relative Asset Class Views*

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

Regional views

---	--	-	=	+	++	+++
			USA			
			Europe ex UK			
		UK				
			Japan			
				Emerging		

Core Fixed Income

---	--	-	=	+	++	+++
			Treasuries			
			Inv. Grade			
			TIPS			

Alternatives

---	--	-	=	+	++	+++
			Commodities			
				Diversifying Hedge Funds		
				Global Infra.		
				Selected Private Credit		
		Real Estate				

Factor views

---	--	-	=	+	++	+++
				Low Vol.		
			Quality			
			Value			
			Growth			

Return-Seeking Fixed Income

---	--	-	=	+	++	+++
			USD EMD			
				Local EMD		
		Bank Loans				
				Selected ABS		
		US High Yield				

Currency views vs USD

---	--	-	=	+	++	+++
				EUR		
			GBP	←		
					JPY	
				EM		

Relative Equity Views*

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

Regional views

---	--	-	=	+	++	+++
			USA			
			Europe ex UK			
		UK				
			Japan			
				Emerging		

We remain cautious on equities overall whilst also maintaining a neutral stance on the key US and Europe ex UK regions. There is still plenty of uncertainty regarding the extent of the economic slowdown and, in Europe in particular, risks relating to the Ukraine war remain significant. Meanwhile, we remain positive on the Emerging Markets, although we acknowledge that sticky developed world inflation and a sluggish Chinese recovery are near-term risks.

Factor views

---	--	-	=	+	++	+++
				Low Vol.		
			Quality			
			Value			
			Growth			

We continue to prefer low volatility equities as we expect markets to struggle as higher interest rates continue to slow the global economy. Meanwhile, we remain neutral on our value versus growth view due to our view that there will be a mild global recession.

Equities

Rebounding markets worsen valuations as earnings expectations hold up – we remain cautious on the outlook

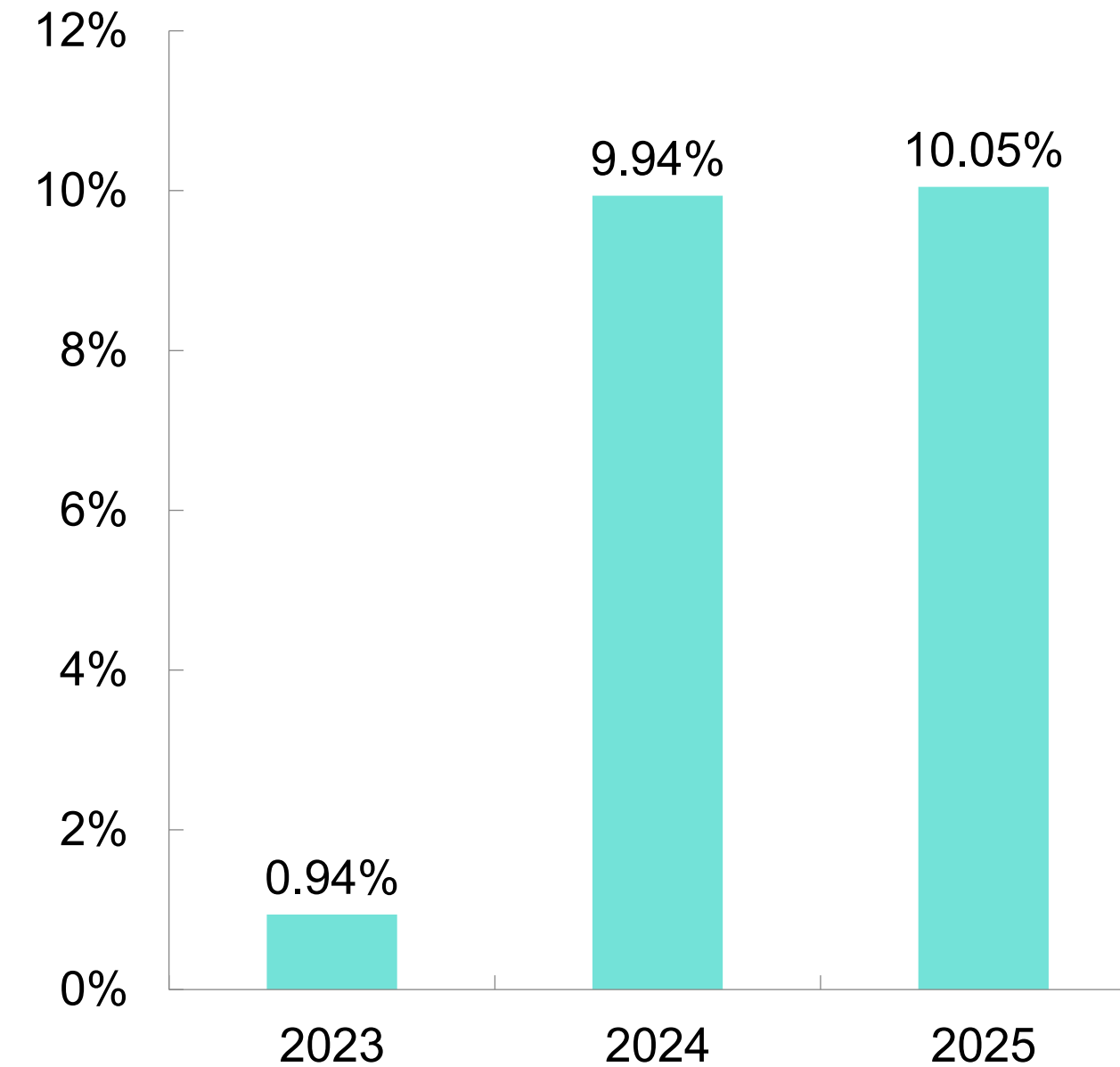
The rally in equity markets continued over Q2 as the resilience in economic activity and company earnings boosted market optimism. Rapidly falling headline inflation was also a source of support but it became apparent towards the end of the quarter that core inflation could prove to be sticky and may prevent the long-expected Federal Reserve rate cuts from becoming reality, at least this year.

In terms of valuations, recent market rallies have taken key ratios towards expensive territory once again, but the near-term outlook is very uncertain. Will the AI-themed surge in a handful of tech stocks persist and support the entire market or will it be short-lived? These kind of rallies are unpredictable and could last longer than one may think.

Nonetheless, we think that economic growth will likely continue to slow and that a global recession cannot be ruled out, especially if monetary policy is not loosened as quickly as markets are now expecting in the US. We think that these overarching trends will eventually dominate and that equity markets will be challenged over the next 12 months, even if the rally persists in the near-term.

Earnings growth expectations are healthy for next year – we think these are vulnerable

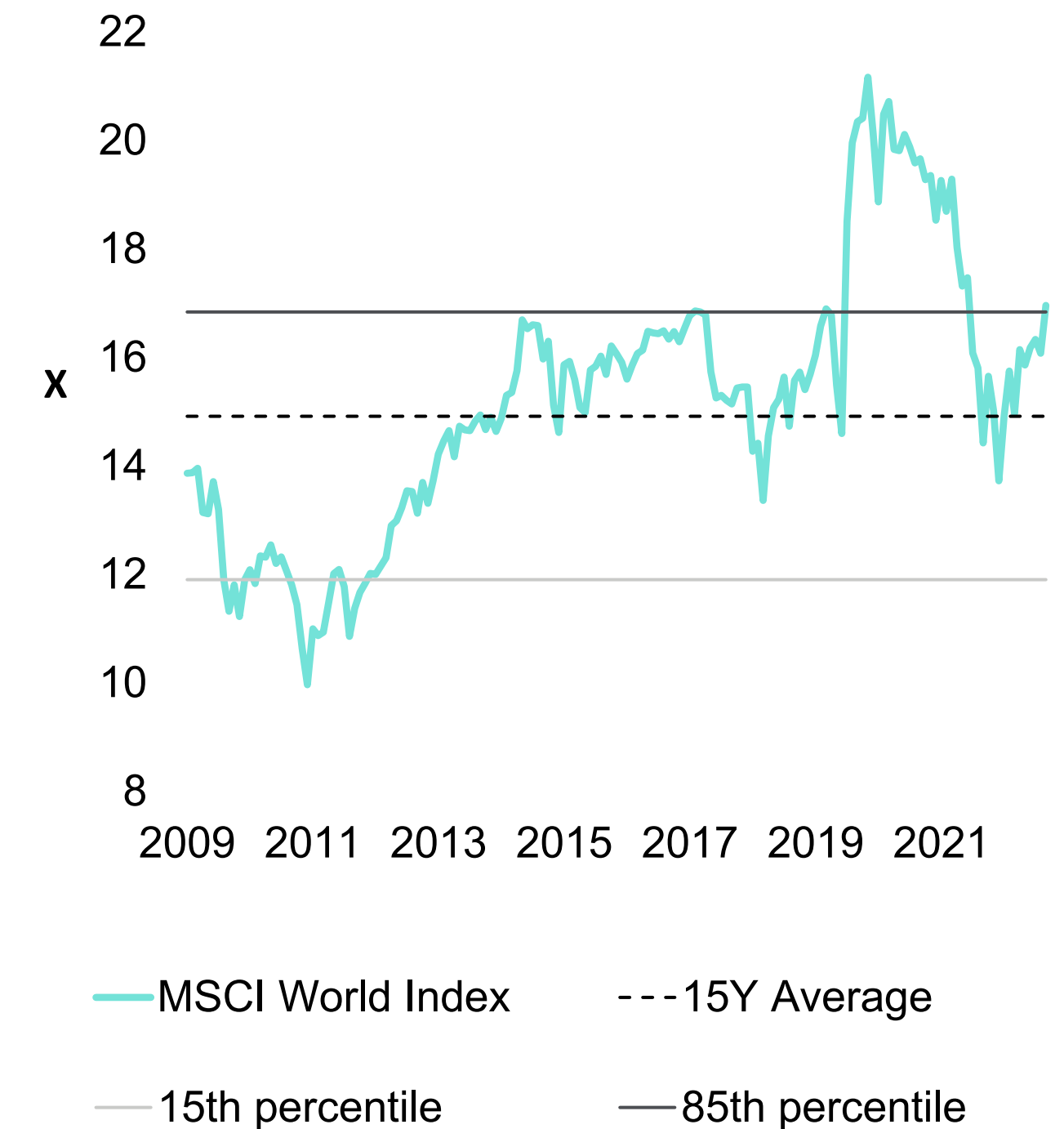
MSCI World - Expected EPS Growth



Source: Factset

Valuations have moved into expensive territory

12m Forward P/E



Source: FactSet

Equities

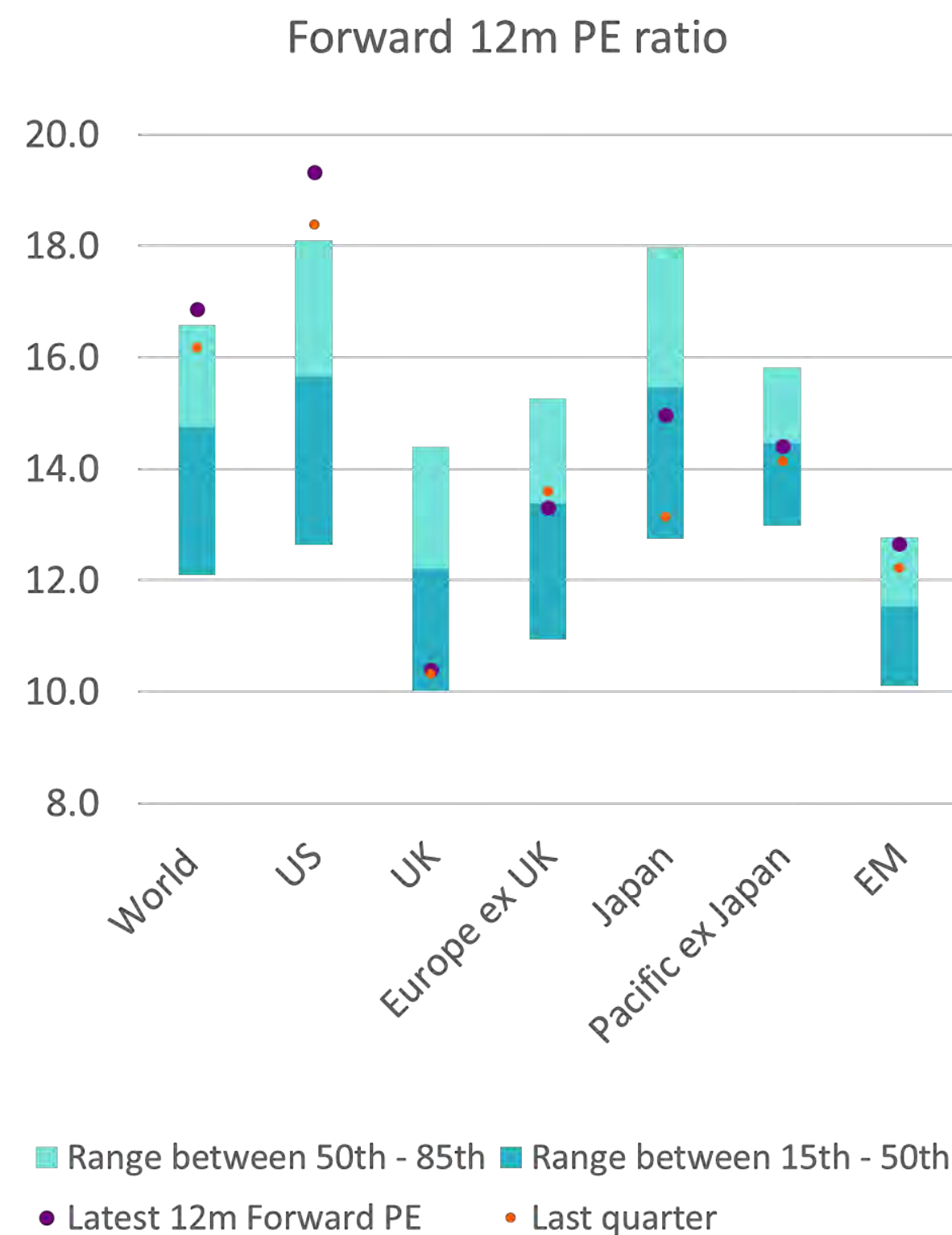
Remaining neutral on US vs non-US regions and leaning towards low volatility equities

Two broad themes have dominated markets over Q2, pushing equities higher. The first is the significant rally in Japanese stocks as seemingly entrenched inflation has been met with a commitment by the Bank of Japan not to tighten monetary policy. The second, and most important, is the huge rally in a small number of technology stocks that have benefitted from the theme of an artificial intelligence run. The latter has pushed already expensive US valuations to even greater extremes relative to other regions. European ex-UK equities have also performed well, especially in March, but valuations remain relatively attractive.

We believe that taking a differential view on the developed markets is very difficult currently – the AI-theme is unpredictable but could persist and Europe is exposed to the Ukraine war and a global economic slowdown. As for Emerging Markets, we see the strongest earnings prospects here, whilst valuations are reasonable and the macro drivers are moving towards being more positive too. This includes the last stages of the US hiking cycle and a weaker trend in the US dollar.

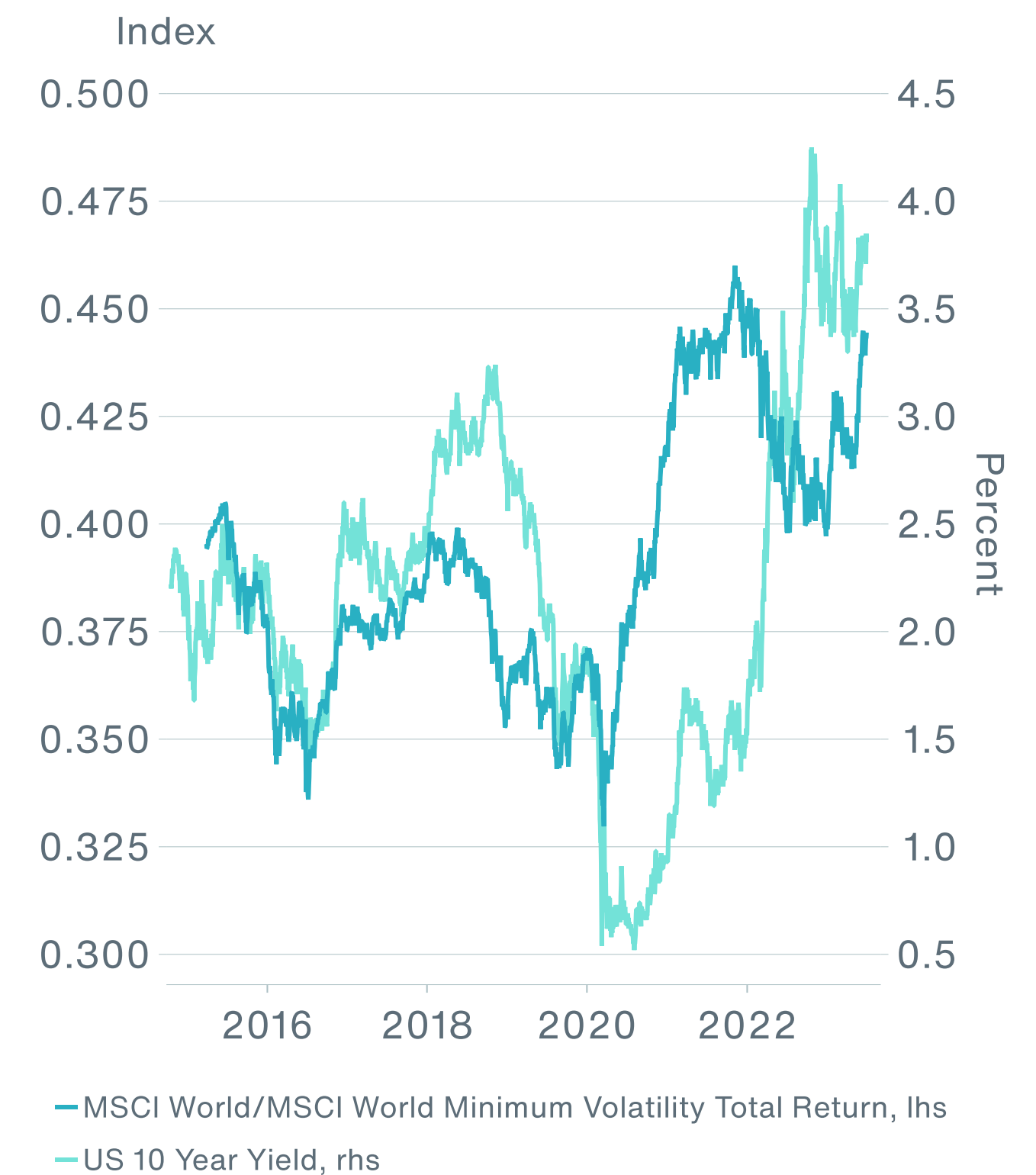
Central banks made it clear that the fight to bring inflation down had not ended yet and interest rates continued to rise in Q2. This is an unusual backdrop for growth stocks to outperform, but low volatility stocks have reflected their bond-proxy characteristics by underperforming this year. A recession scenario may bring yields lower and support low volatility equities, hence our small preference for this style.

Valuations have become more expensive, especially in the US



Source: Factset and Aon

Low volatility stocks have lagged as yields have stayed high but this may change in a recession



Source: Macrobond

Relative Fixed Income Views*

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

U.S. Core Fixed Income

---	--	-	=	+	++	+++
			Treasuries			
			Inv. Grade			
			TIPS			

Return-Seeking Fixed Income

---	--	-	=	+	++	+++
			USD EMD			
				Local EMD		
		Bank Loans				
				Selected ABS		
		US High Yield				

Higher 2-year yields now mean that rates markets are pricing a path for interest rates which is much closer to our view. However, we still think that implied pricing of cuts through 2024 is too high. Bits of the curve are starting to offer some value e.g. the 20 year, although we continue to think there will likely be better entry points. TIPS are also looking better value than in April but again we are holding off going overweight for now.

We are keeping our sector views unchanged this quarter and we remain cautious on return-seeking fixed income overall.

Core Fixed Income: US Treasuries

Treasury yields remain close to the centre of our fair value range

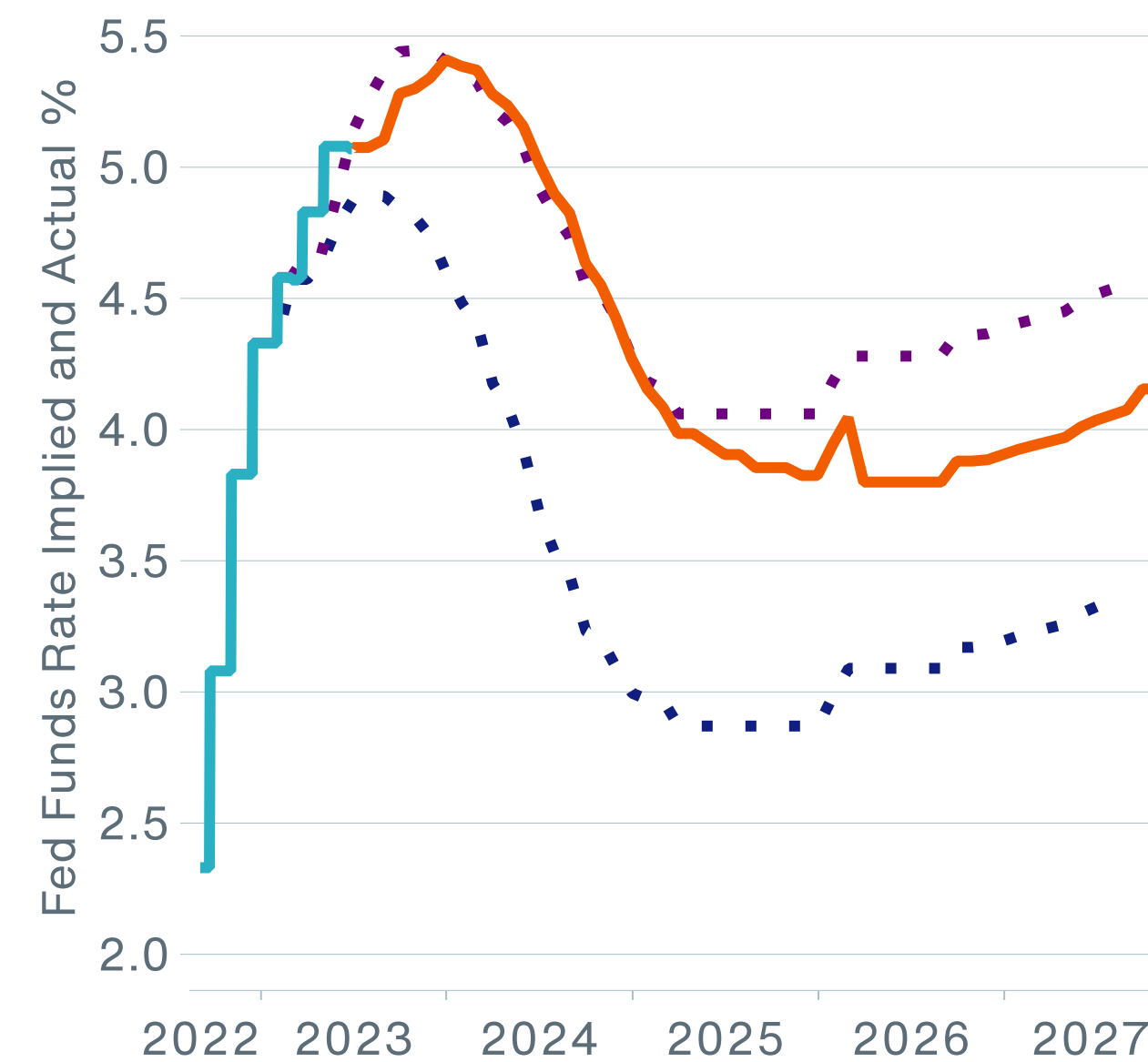
The 10-year US Treasury note is now at 3.86%, with the 20-year at 4.08% and the 30-year at 3.49%. We think that fair value for the long-end of the US curve is between 3.25% to 4.25%. Although yields are slightly higher than a quarter ago, we think that the curve is reasonably close to fair value rather than especially cheap and therefore stay neutral for now.

The higher rates have been driven by the front-end of the swaps curve pricing higher reflecting the market expecting the Federal Reserve to revert to hiking again (after the June pause) and cutting to start in December.

We still think markets are too aggressive in their expectations for rate cuts next year and that the balance of risks is that rates will end the year higher than anticipated.

We think the long-term through-the-cycle policy rate has likely risen back towards the 4% level which it averaged at before the 2008 Global Financial Crisis. If we assume the current rate cycle plays out over the next five years, this rate is consistent with the 5y10y part of the US Treasury curve (the implied yield of a 10-year Treasury in 5 years' time). However, the 20y10y is much closer to the lower level that the Federal Reserve's Open Market Committee assesses the longer-term policy rate to be.

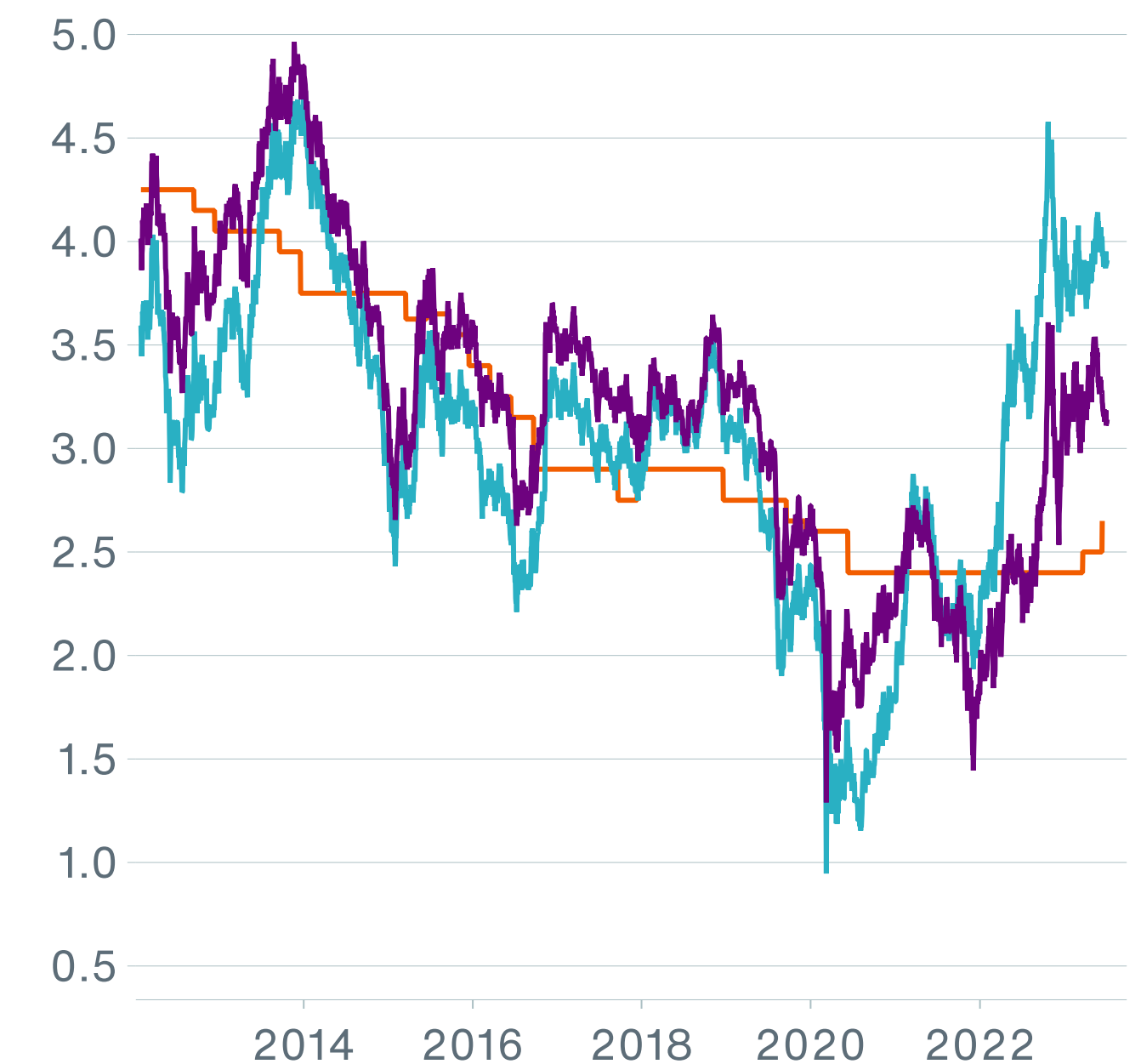
Market are pricing in a more dovish stance for rates than Fed rhetoric suggests



- Actual Rate — Implied Path on 30 June
- - Implied Path on 2nd March
- - Implied Path on 1st Feb

Source: Macrobond

US government bond forward rates versus Federal Reserve (FOMC) estimates of neutral policy rate



- Govt forward 20Y10Y — Govt forward 5Y10Y
- FOMC "longer-run appropriate policy rate"

Source: Macrobond

Investment Grade Credit

Attractive yield levels partially offset recession risks

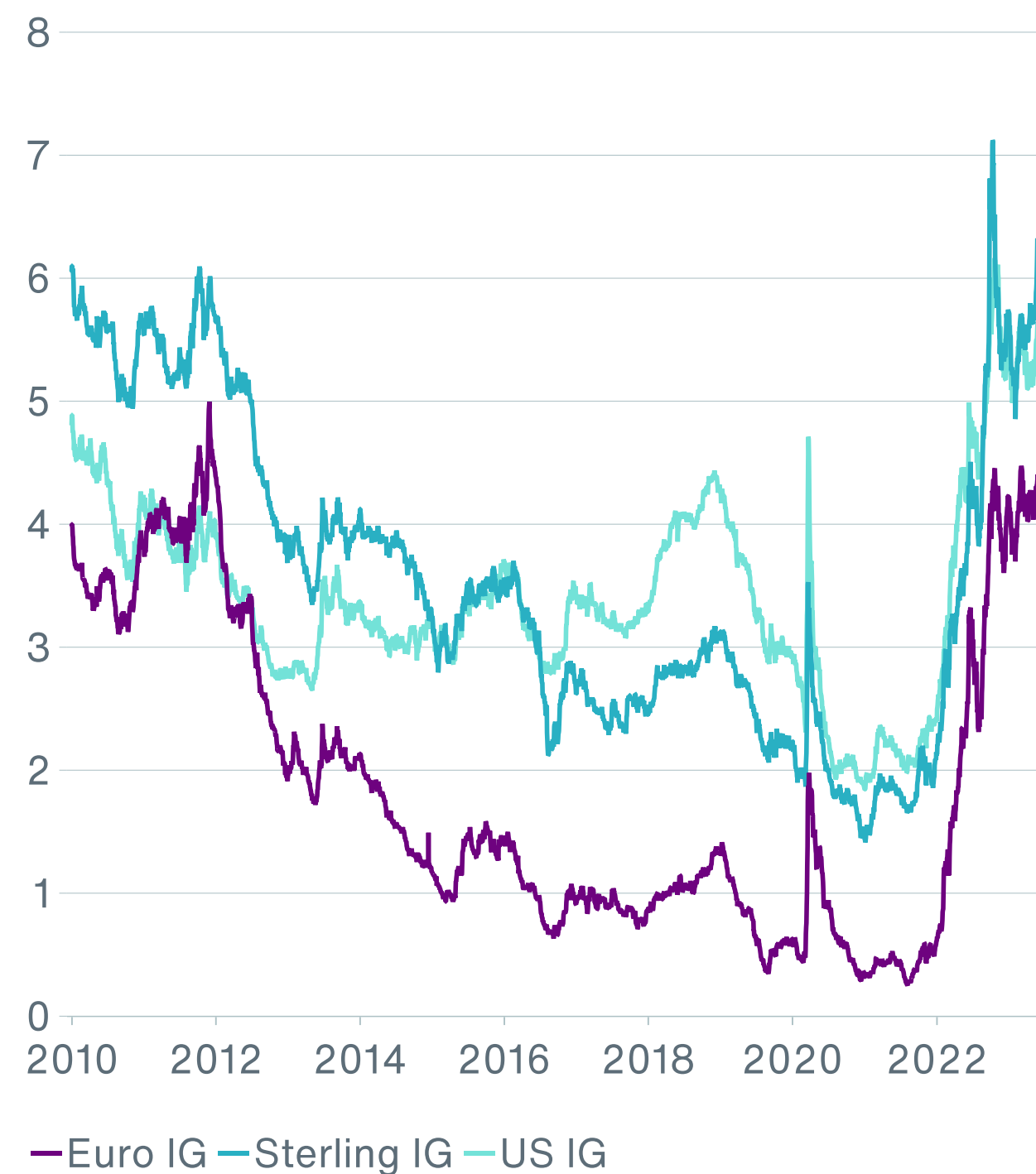
The sharp increase in interest rates by central banks in the past year has taken investment grade (IG) credit yields to levels not seen for over ten years. Yields are currently sitting somewhat lower than the highs observed in September 2022 when markets became stressed and some leveraged investors were forced sellers.

Overall though we think that yields have reached relatively attractive entry points, particularly in sterling, although there is the potential for yields to spike higher. This could come from either higher government rates, if policy rates have to be higher for longer or from further spread widening. Indeed, if we enter a recession, higher debt rollover costs, could see downgrade risks drive spreads higher. Corporate debt is low relative to the market value of equities, and this tends to be associated with lower spreads so, if equities remain robust, we think substantial spread-widening will be avoided.

Our base case is that the economic growth outlook through 2023 and 2024 is challenging but we don't anticipate a deep recession.

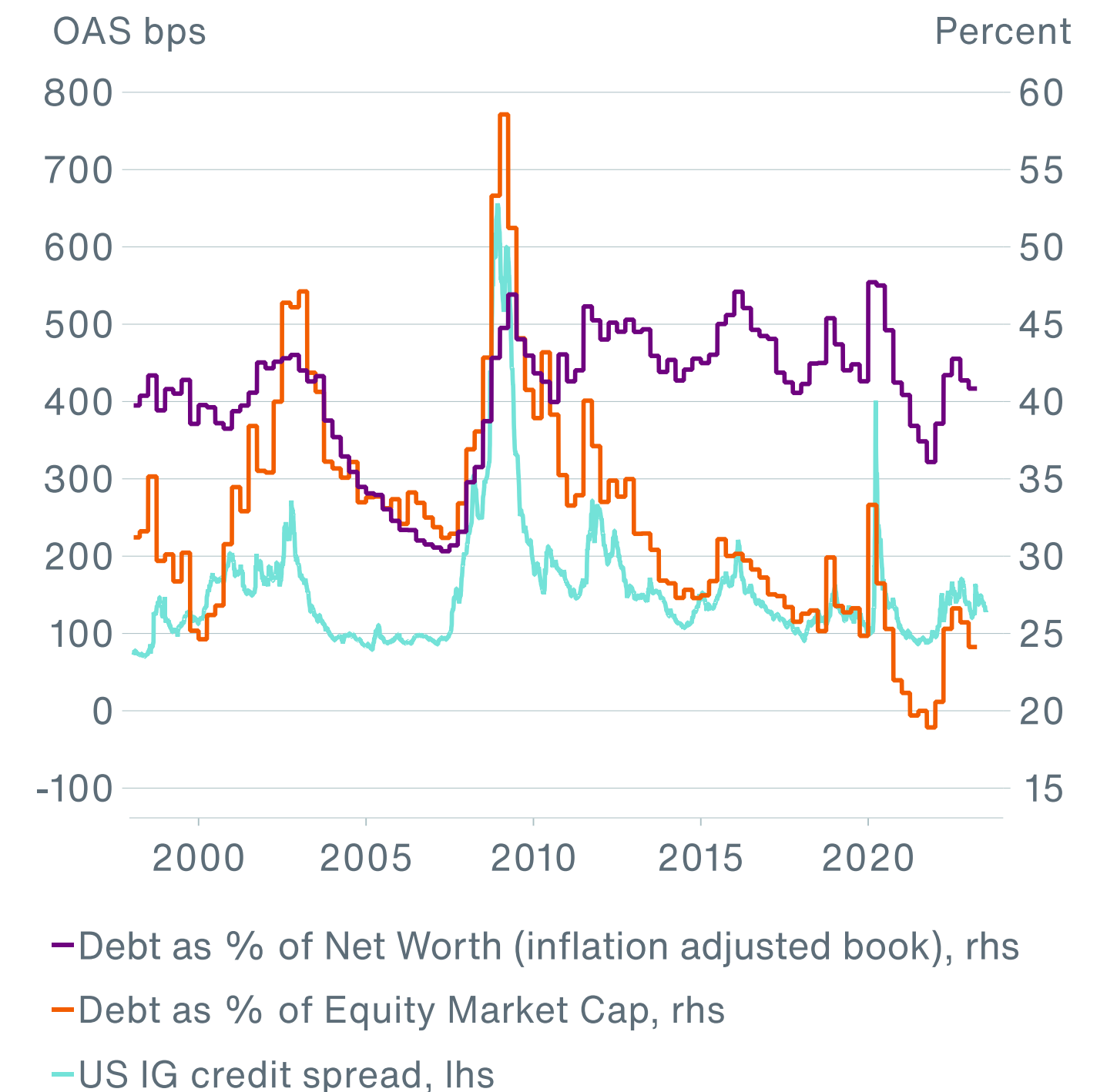
Liquidity conditions within IG are also a concern and appear to have deteriorated. This limits increasing exposure now for schemes which have shorter time horizons.

Yields close to decade highs (YTM, %)



Source: Macrobond, ICE BofA.

Low corporate debt should keep spreads fairly contained



Source: Macrobond, ICE BofA.

Return-Seeking Credit

Upward pressure on credit spreads are keeping us on the side lines

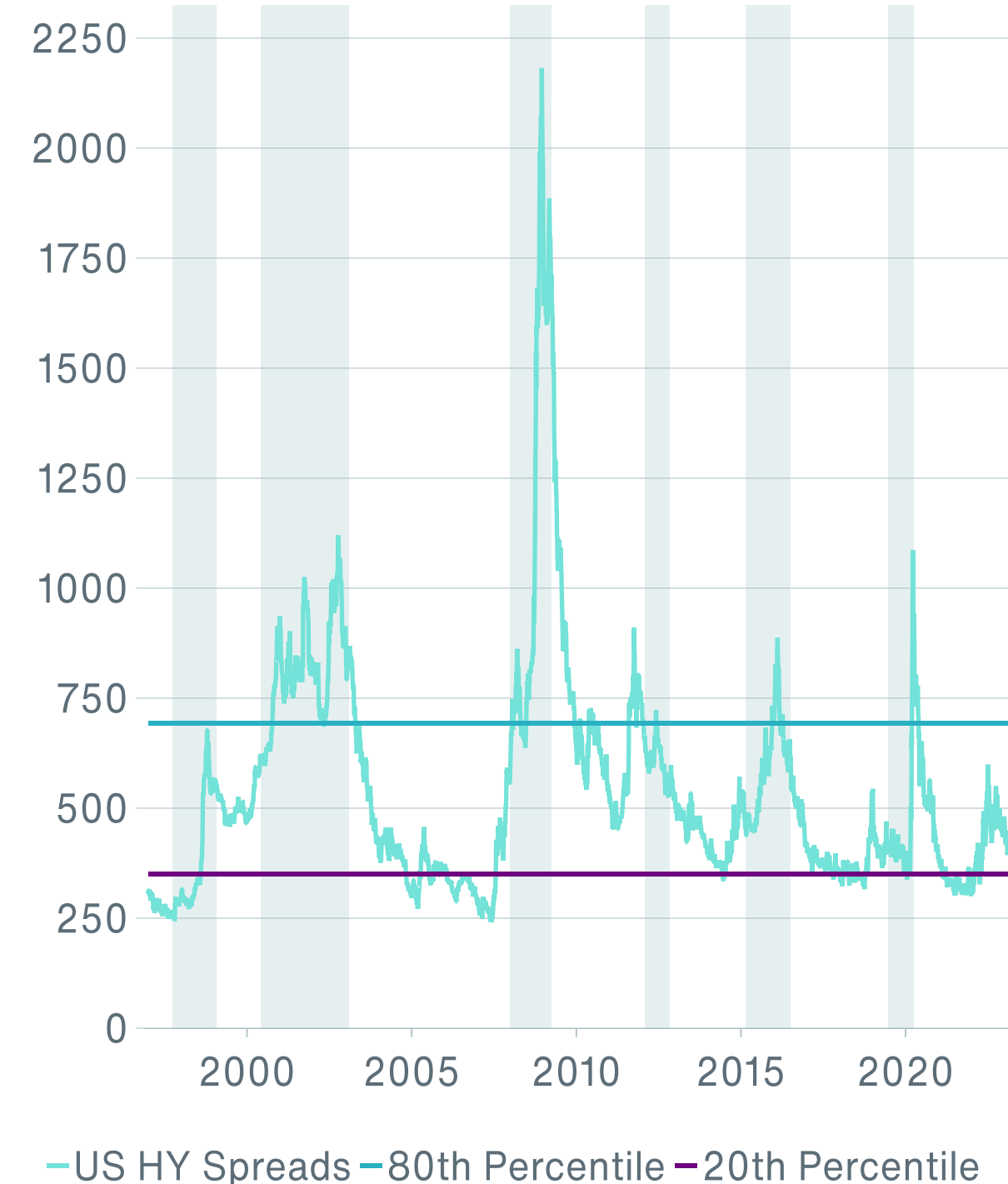
High yield bond credit spreads rose back above 500bps (yield rose above 9%) in March on banking tensions. Speedy official intervention and a small exposure to banks in high yield markets limited the move and spreads have since fallen back to the levels seen in February. Default rates are rising but we do not expect a big rise from the current low levels. Corporate leverage is lower than pre-pandemic. Although there is no immediate refinancing pressure for the HY and loan universe, the “higher for longer” rate environment could potentially put more pressure on lower quality borrowers. We expect refinancing risks to act as a headwind for lower quality credit.

Whilst we expect some upward pressure on spreads in the future, causing them to likely underperform government and investment grade bonds, high absolute yield levels will provide an attractive entry point at some point.

US loans benefited from the rising rate environment over the last three years and have outperformed HY bonds given that they are floating rate. However, since October’s US treasury yield highs, when we also ended our loan preference, performance has been more in line with HY bonds. We expect to downgrade loans vs HY bonds later in the economic and rate cycle.

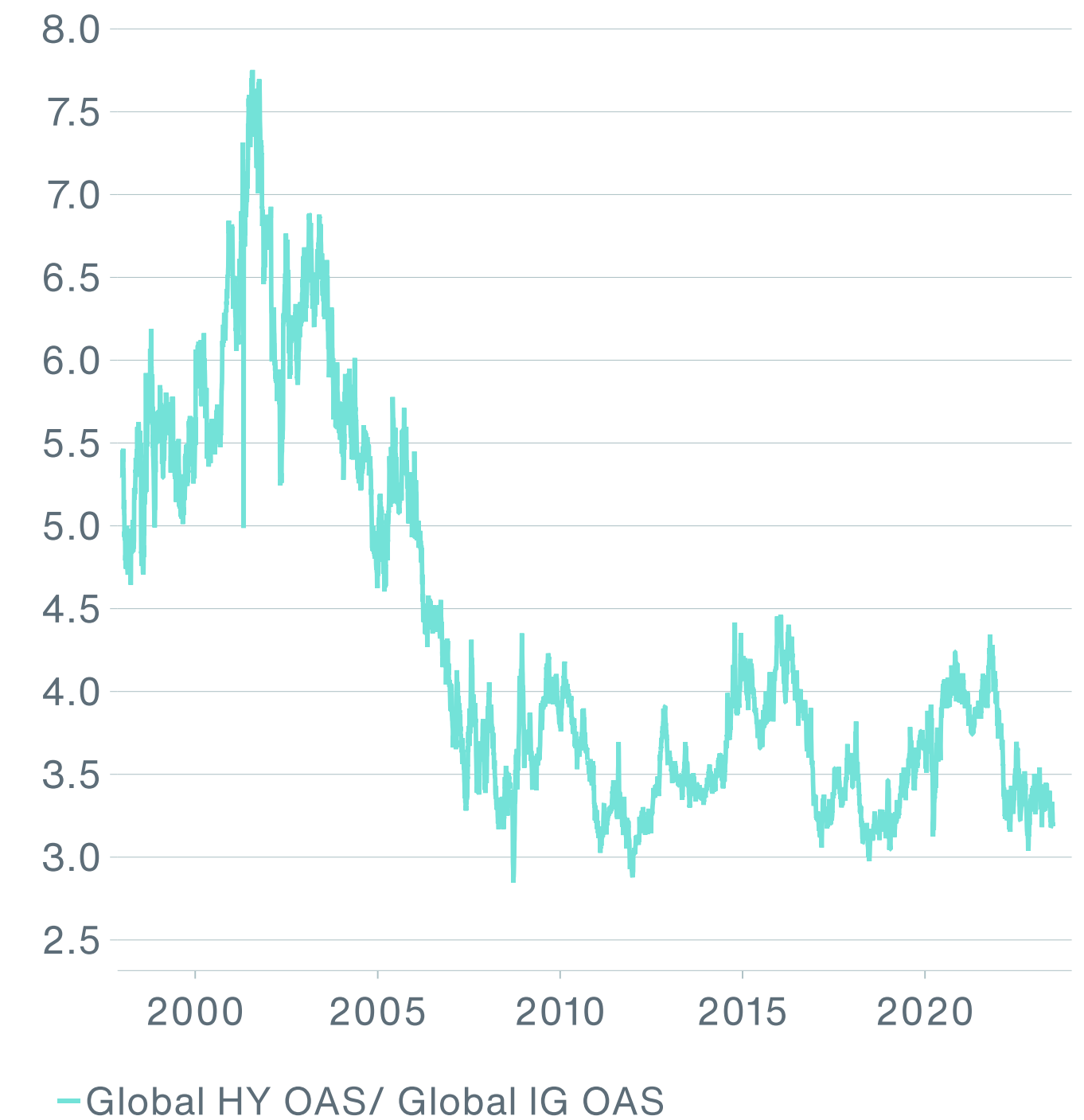
We continue to be cautiously positive on EM debt after the last three years of dismal returns and we upgraded the sector at the start of this year.

US high yield spreads likely to rise but not to past recession highs
(Previous recessions shaded)



Source: Macrobond, ICE BofA

Spreads relative to investment grade are near historic lows



Source: JP Morgan, ICE BofA

Relative Alternative and Currency Views*

*Asset class views are relative to others within the asset class and not relative to other asset types. There should be no read-across from equities to credit, for example.

Alternatives

---	--	-	=	+	++	+++
			Commodities			
				Diversifying Hedge Funds		
				Global Infra.		
				Selected Private Credit		
	Real Estate					

We continue to see the merit in non-equity correlated alternative asset classes to provide resilience and diversification to portfolios, although the lower liquidity of some of these may not be appropriate for everyone. Following the banking crisis, we believe that tightening will occur in the commercial banking sector, and this will benefit private credit markets as higher quality credit is redirected to private lenders. We also remain relatively pessimistic about real estate as interest rates rise and economic growth slows.

Currency views vs USD

---	--	-	=	+	++	+++
				EUR		
			GBP	←		
					JPY	
				EM		

Sterling has rallied meaningfully since September's mini-budget gilt crisis but we think that upside is now limited by the UK's negative growth outlook and potentially too high policy rate expectations.

We remain moderately negative on the US dollar against other major currencies over the medium-term, with a preference for the Japanese yen.

Alternatives

We think the correction in private real estate valuations has more to go

We retain a cautious outlook for private real estate. Whilst we have seen some softening in pricing since we downgraded real estate to underweight, the private real estate market still looks expensive against publicly traded REITs.

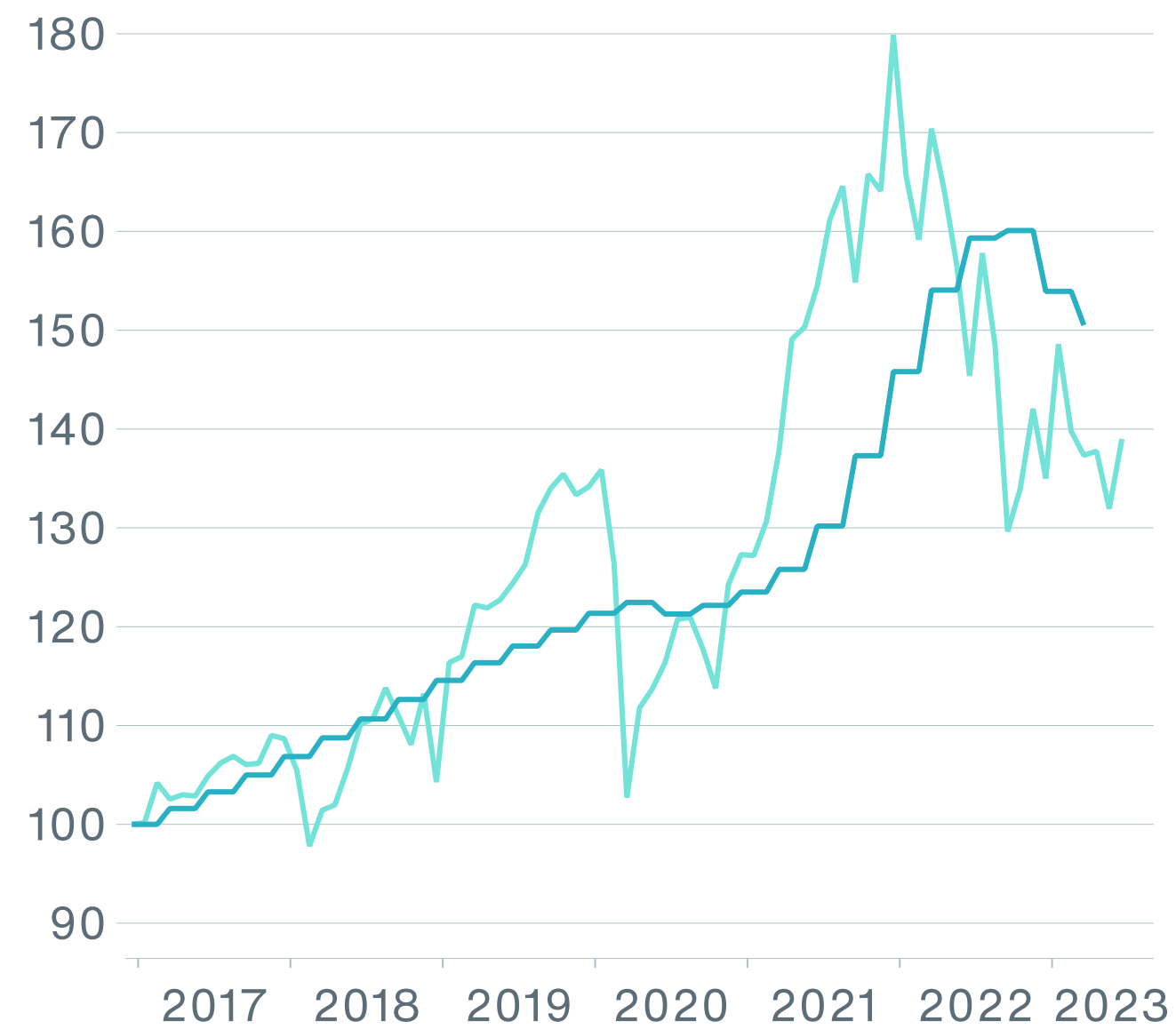
We suspect that the ongoing correction in the private real estate market may have more to go. US commercial real estate's average cap rate of around 4% looks vulnerable against a rising rates environment where investors can find more attractive yields elsewhere.

Private market transaction volumes have slowed substantially in recent quarters which may have impeded price discovery in the market. However, as existing commercial real estate loans approach refinancing at much higher rates, existing property owners may be forced to sell assets, even at a loss.

The fallout from the US banking sector's turmoil earlier this year could make refinancing more challenging, given the impact on smaller banks which dominate the commercial real estate lending market. As these banks adjust to the experienced deposit outflows and reassess their risk appetite, this could lead to reduced credit availability for property owners.

Private real estate valuations have started to fall, but remain expensive against REITs

US real estate total return, rebased at 100 in December 2016



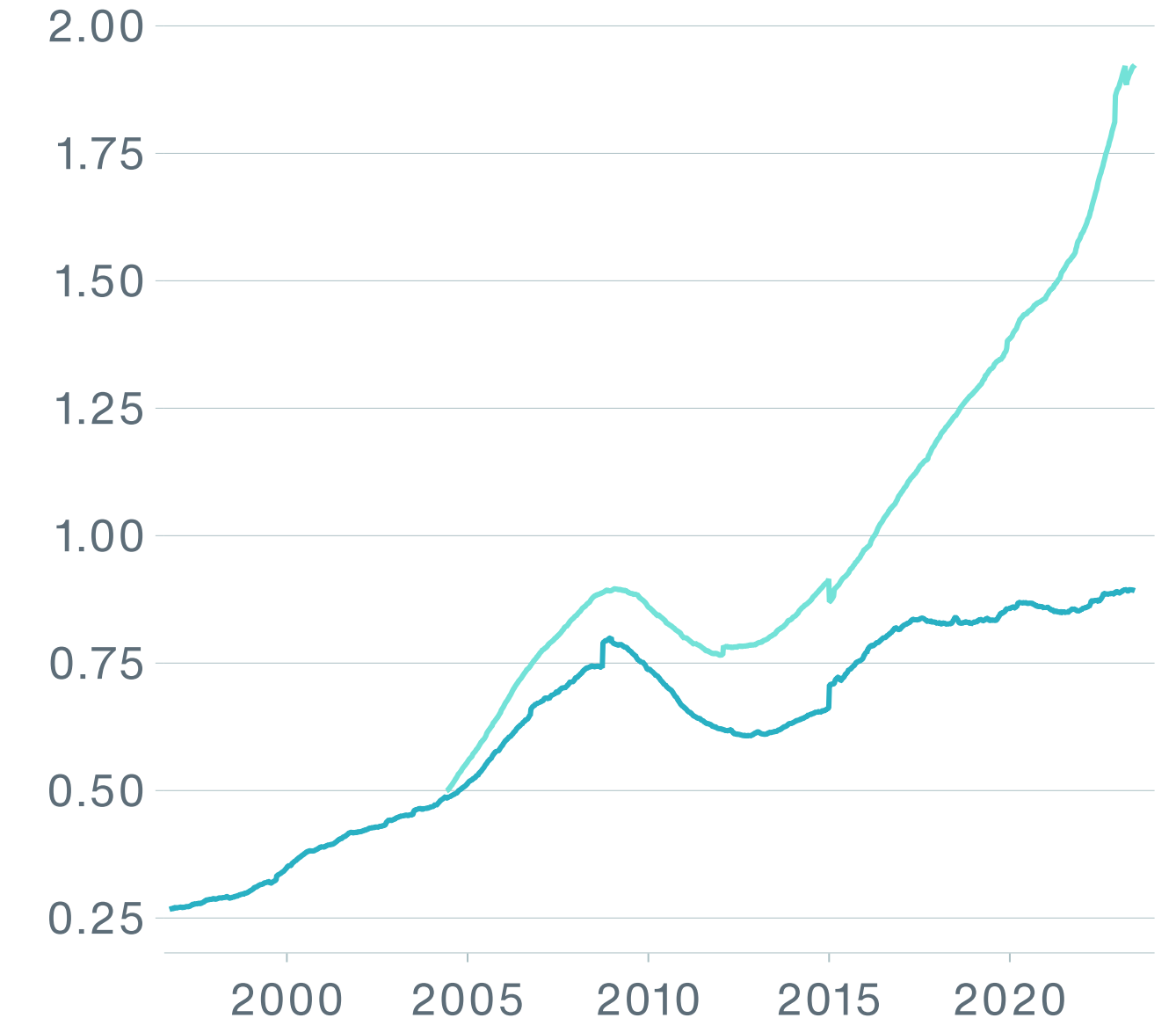
— MSCI U.S. Quarterly Property Index
 — FTSE Nareit / All Equity REITs

As at 06/2023, 03/2023, for FTSE Nareit / All Equity REITs, MSCI U.S. Quarterly Property Index, respectively
 Source: Macrobond, Federal Reserve

Small banks are an important source of US commercial real estate financing

Total commercial RE lending by entity types

USD, trillion



— Large Domestically Chartered Commercial Banks
 — Small Domestically Chartered Commercial Banks

Source: Macrobond, Federal Reserve

Currencies

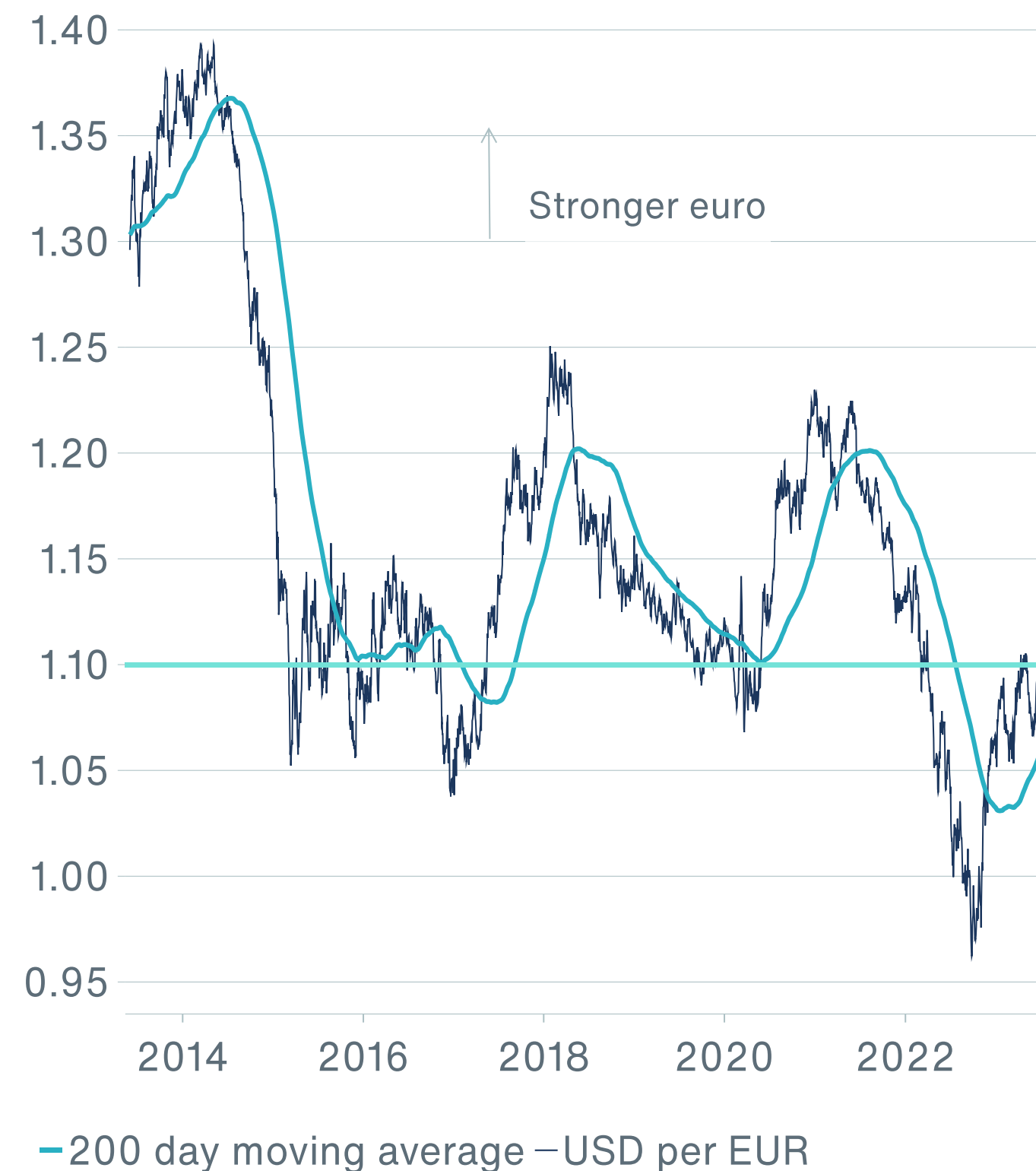
Remaining modestly negative on the US dollar but moving neutral on sterling

We turned negative on the US dollar in January. Since then, the US Dollar index (DXY) and the dollar exchange rate against the euro have moved only slightly down, with euro resistance at \$1.10. Our negative dollar stance was based on the fact that we thought (and still do think) that September 2022 marked the end of the dollar's rally, even though the growth and rate outlook could still provide support for the dollar.

Indeed, US economic data has proved to be quite resilient this year whilst Eurozone data has disappointed (see chart), as has Chinese data. Also, whilst interest rate expectations have increased globally this year, the upward revision in US rates has been greater than in the Eurozone (in spite of the US rate pause in June). We are maintaining our modest negative dollar view, supported by valuations (based on purchasing power parity) and encouraged that the dollar has not gained ground against a supportive backdrop this year.

Sterling has been supported by stubbornly high inflation, keeping rates high, but the pound has become more vulnerable in the short-term as positioning has become overly positive. We are therefore downgrading sterling. Meanwhile, the yen has defied expectations for it to move higher on forecasts of the end of ultra loose Japanese monetary policy. However, it remains undervalued and should appreciate as rate pressures die down elsewhere.

The euro uptrend since September 2022 remains in tact...



Source: Macrobond

... Although euro-area economic momentum has faded this year which has stalled euro gains



Source: Macrobond

Appendix

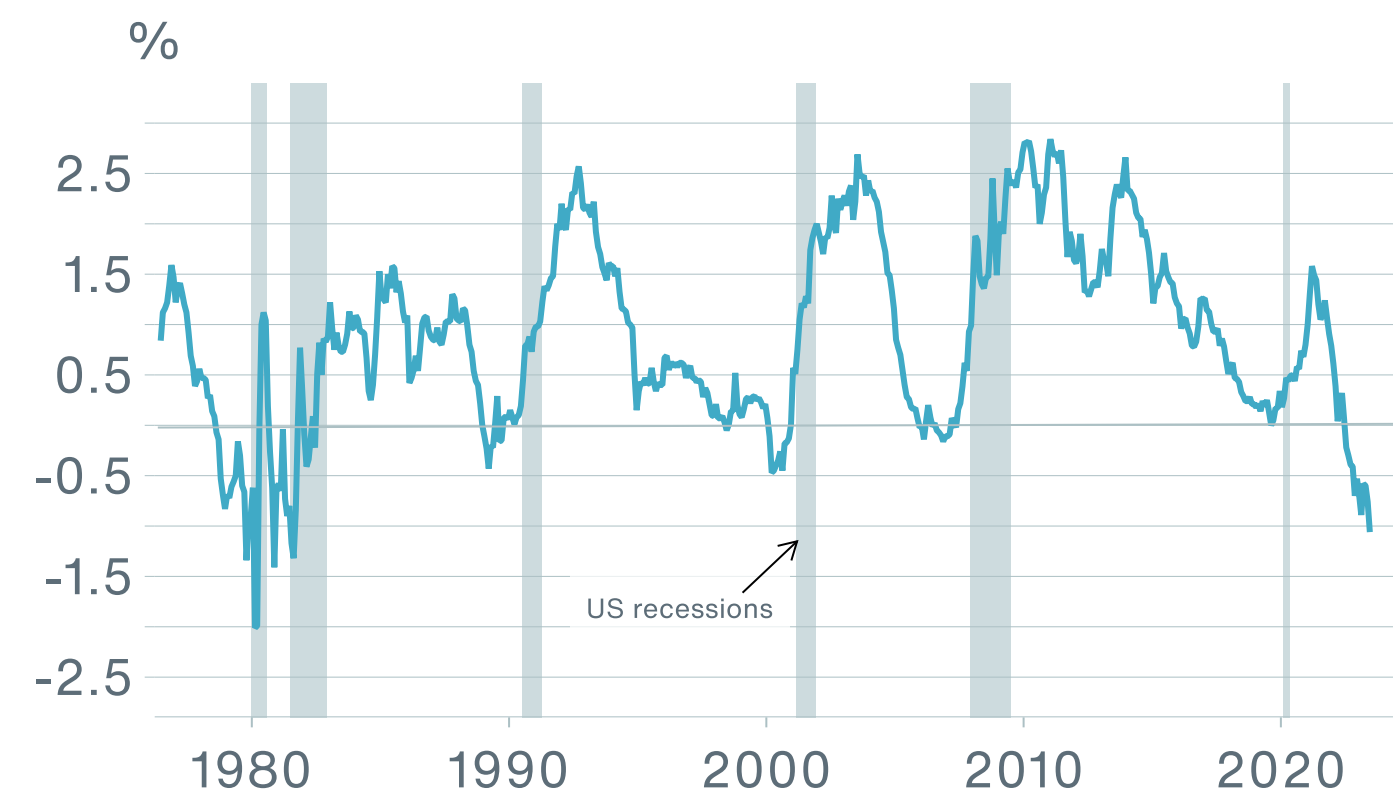


Economic Highlights

The financial sector travails of March were set aside over Q2 as market focus switched to the huge rally in a small number of AI-themed stocks and falling inflation measures. Although economic growth has held up reasonably well so far this year, the past quarter did reveal further signs of slowing momentum and markets believe that monetary policy tightening is close to ending for this cycle. However, whilst headline inflation figures have been falling, there has been much less movement in core measures, which is complicating central banks' aims of achieving a soft landing, where a sharp economic recession is avoided. In terms of the Emerging Markets, the widely expected rebound in the Chinese economy has been less impressive than hoped so far but a weaker US dollar and peaking yields should be helpful over time.

We still think that a global recession is likely at some point over the coming year, although it may be relatively shallow and short-lived. Meanwhile, inflation will likely continue to fall, but we do not expect the key measures to fall back to pre-pandemic rates any time soon. Extreme uncertainty due to the war in Ukraine continues to make predictions especially difficult.

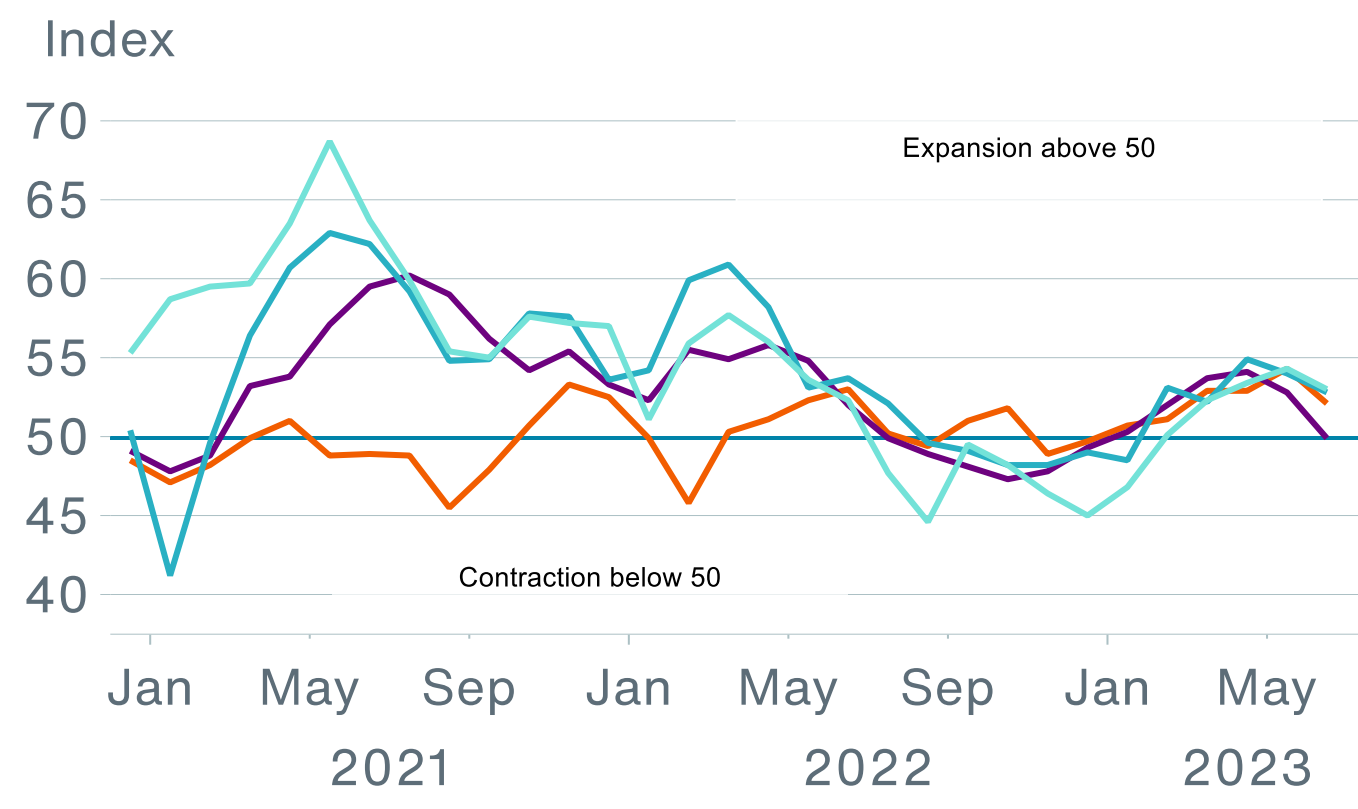
US yield curve is strongly pointing towards a recession



—US yield curve - 10y less 2y Treasury yield

Source: Macrobond

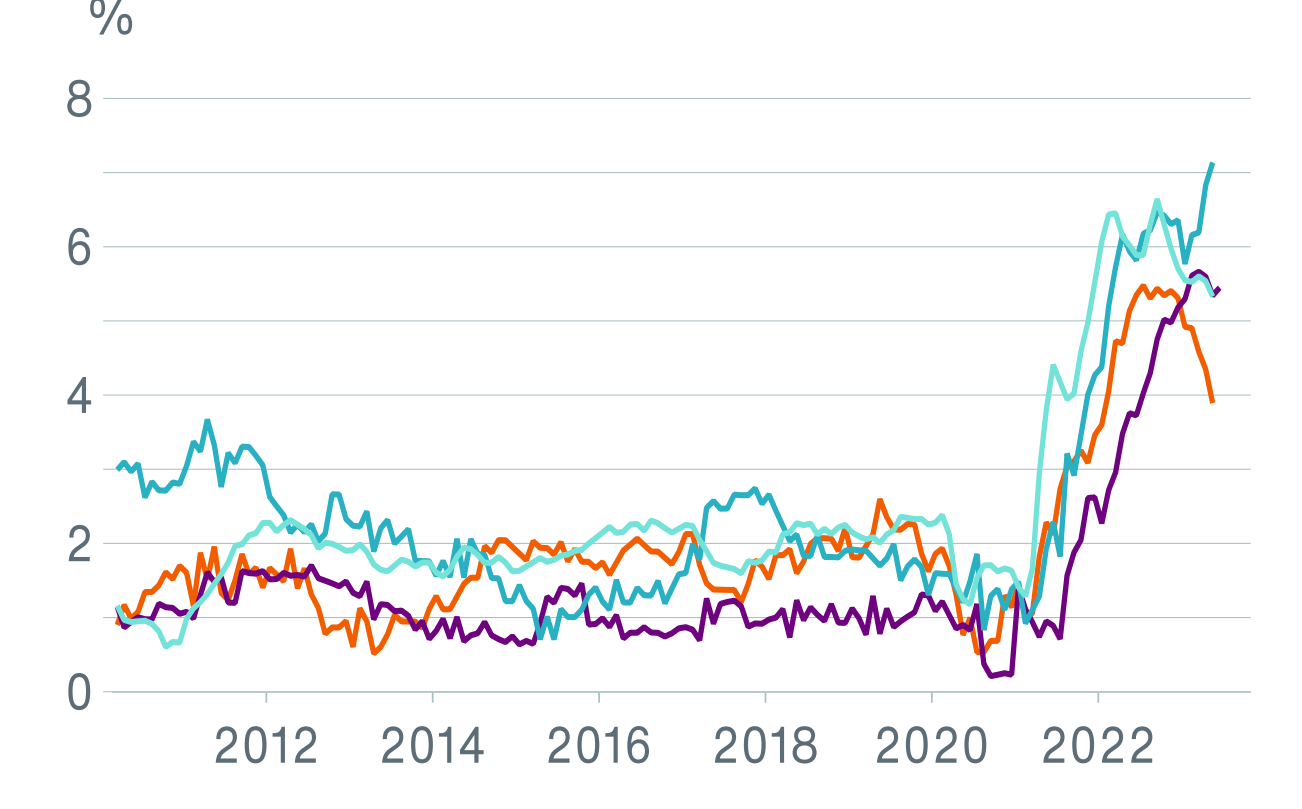
Economic activity decelerated over Q2 – Selected regional composite PMIs



—United States —United Kingdom —Euro Area —Japan

Source: Macrobond

Core inflation has remained stubbornly high and has actually rebounded in the UK – Core CPI YoY



—United States —United Kingdom —Euro Area —Canada

Source: Macrobond

Selected economic data releases

Date	Country/Region	Event	Period	Actual	Consensus	Surprise	Prior
04/03/2023	United States	ISM Manufacturing SA	MAR	46.3	47.5	-1.2	47.7
04/05/2023	Eurozone	Markit PMI Composite SA (Final)	MAR	53.7	54.1	-0.40	54.1
04/05/2023	United Kingdom	CIPS Composite PMI SA (Final)	MAR	52.2	-	-	52.2
04/05/2023	United States	ISM Services PMI SA	MAR	51.2	54.5	-3.3	55.1
04/07/2023	United States	Nonfarm Payrolls SA	MAR	236.0K	240.0K	-4.0K	326.0K
04/11/2023	China	CPI NSA Y/Y	MAR	0.70%	1.0%	-0.35%	1.0%
04/12/2023	United States	CPI ex-Food & Energy NSA Y/Y	MAR	5.6%	5.6%	0.0%	5.5%
04/12/2023	United States	CPI NSA Y/Y	MAR	5.0%	5.2%	-0.20%	6.0%
04/12/2023	Canada	BoC Overnight Rate Target	-	4.50%	4.50%	0.00%	4.50%
04/18/2023	China	GDP NSA Y/Y	Q1	4.5%	3.4%	1.1%	2.9%
04/18/2023	Canada	CPI All Items (NSA Y/Y)	MAR	4.3%	4.3%	-0.0%	5.2%
04/19/2023	United Kingdom	CPI Core NSA Y/Y	MAR	6.2%	6.0%	0.20%	6.2%
04/19/2023	United Kingdom	CPI EU Harmonized NSA Y/Y	MAR	10.1%	9.7%	0.40%	10.4%
04/19/2023	Eurozone	CPI Core EU Harmonized NSA Y/Y (Final)	MAR	5.7%	5.7%	0.0%	5.7%
04/19/2023	Eurozone	CPI EU Harmonized Y/Y (Final)	MAR	6.9%	6.9%	-0.0%	6.9%
04/21/2023	Japan	CPI ex-Fresh Food and Energy	MAR	3.8%	-	-	3.5%
04/21/2023	Japan	CPI National Y/Y	MAR	3.2%	3.2%	-0.0%	3.3%
04/28/2023	Eurozone	GDP SA Y/Y (Preliminary)	Q1	1.3%	1.4%	-0.10%	1.8%
04/28/2023	United States	Core PCE Deflator Y/Y	MAR	4.6%	4.5%	0.10%	4.7%
05/01/2023	Japan	Markit/JMMA PMI Manufacturing SA (Final)	APR	49.5	49.6	-0.10	49.5
05/01/2023	United States	ISM Manufacturing SA	APR	47.1	46.7	0.40	46.3
05/03/2023	United States	Fed Funds Target Rate Upper Bound	-	5.25%	5.25%	0.00%	5.00%
05/04/2023	China	Markit/Caixin PMI Manufacturing SA	APR	49.5	50.2	-0.69	50.0
05/04/2023	United Kingdom	CIPS Composite PMI SA (Final)	APR	54.9	53.9	0.97	53.9
05/05/2023	United States	Nonfarm Payrolls SA	APR	253.0K	178.0K	75.0K	165.0K
05/10/2023	United States	CPI ex-Food & Energy NSA Y/Y	APR	5.5%	5.5%	0.0%	5.6%
05/11/2023	China	CPI NSA Y/Y	APR	0.10%	0.30%	-0.20%	0.70%
05/11/2023	United Kingdom	BoE Official Bank Rate	-	4.50%	4.50%	0.00%	4.25%
05/12/2023	United Kingdom	GDP SA Y/Y (Preliminary)	Q1	0.20%	-0.20%	0.40%	0.60%
05/16/2023	Canada	CPI All Items (NSA Y/Y)	APR	4.4%	4.1%	0.31%	4.3%

UK core inflation continued to rise unexpectedly

Only US Fed rate increase this quarter. There was a pause in the following meeting

Selected economic data releases

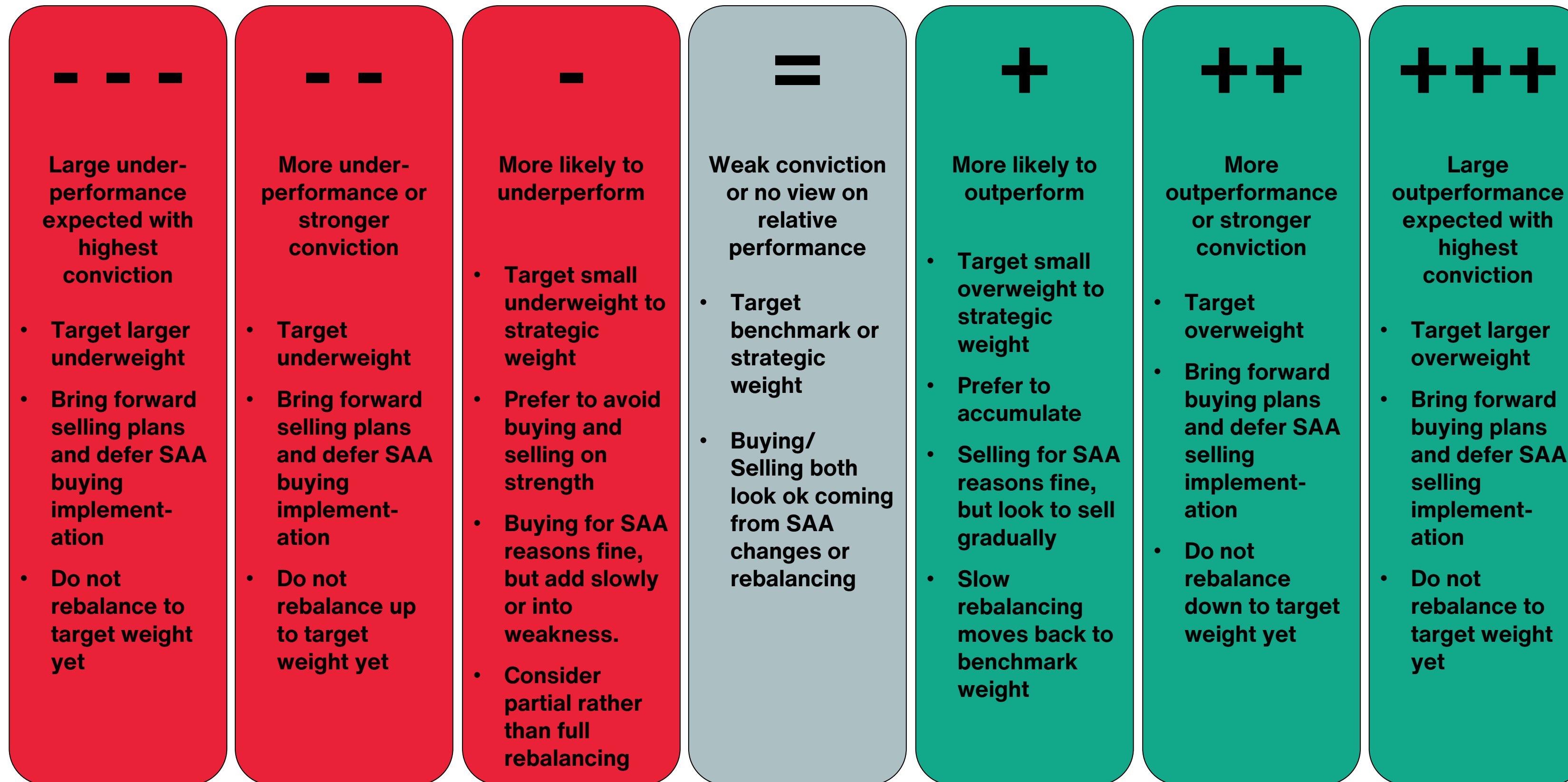
Date	Country/Region	Event	Period	Actual	Consensus	Surprise	Prior
05/19/2023	Japan	CPI ex-Fresh Food and Energy	APR	4.1%	-	-	3.8%
05/19/2023	Japan	CPI National Y/Y	APR	3.5%	3.5%	0.0%	3.2%
05/23/2023	Eurozone	Markit PMI Composite SA (Preliminary)	MAY	53.3	53.9	-0.60	54.1
05/24/2023	United Kingdom	CPI Core NSA Y/Y	APR	6.8%	6.0%	0.80%	6.2%
05/24/2023	United Kingdom	CPI EU Harmonized NSA Y/Y	APR	8.7%	8.1%	0.55%	10.1%
05/26/2023	United States	Core PCE Deflator Y/Y	APR	4.7%	4.6%	0.10%	4.6%
05/31/2023	Canada	GDP SAAR Q/Q	Q1	3.1%	2.5%	0.60%	-0.10%
06/01/2023	Japan	Markit/JMMA PMI Manufacturing SA (Final)	MAY	50.6	-	-	50.8
06/01/2023	China	Markit/Caixin PMI Manufacturing SA	MAY	50.9	49.4	1.5	49.5
06/01/2023	United States	ISM Manufacturing SA	MAY	46.9	47.0	-0.10	47.1
06/02/2023	United States	Nonfarm Payrolls SA	MAY	339.0K	188.0K	151.0K	294.0K
06/05/2023	United Kingdom	CIPS Composite PMI SA (Final)	MAY	54.0	53.9	0.11	53.9
06/05/2023	United States	ISM Services PMI SA	MAY	50.3	52.1	-1.8	51.9
06/07/2023	Canada	BoC Overnight Rate Target	-	4.75%	4.50%	0.25%	4.50%
06/08/2023	Japan	GDP Y/Y (Final)	Q1	1.9%	1.3%	0.60%	1.3%
06/08/2023	Eurozone	GDP SA Y/Y (Final)	Q1	1.0%	1.3%	-0.30%	1.3%
06/13/2023	United States	CPI ex-Food & Energy NSA Y/Y	MAY	5.3%	5.2%	0.10%	5.5%
06/14/2023	United States	Fed Funds Target Rate Upper Bound	-	5.25%	5.25%	0.00%	5.25%
06/16/2023	Eurozone	CPI Core EU Harmonized NSA Y/Y (Final)	MAY	5.3%	5.3%	0.0%	5.3%
06/16/2023	Eurozone	CPI EU Harmonized Y/Y (Final)	MAY	6.1%	6.1%	0.0%	6.1%
06/21/2023	United Kingdom	CPI Core NSA Y/Y	MAY	7.1%	6.7%	0.40%	6.8%
06/21/2023	United Kingdom	CPI EU Harmonized NSA Y/Y	MAY	8.7%	8.4%	0.30%	8.7%
06/22/2023	United Kingdom	BoE Official Bank Rate	-	5.00%	4.75%	0.25%	4.50%
06/23/2023	Japan	CPI ex-Fresh Food and Energy	MAY	4.3%	-	-	4.1%
06/23/2023	Japan	CPI National Y/Y	MAY	3.2%	3.2%	-0.0%	3.5%
06/27/2023	Canada	CPI All Items (NSA Y/Y)	MAY	3.4%	3.3%	0.01%	4.4%
06/29/2023	United States	GDP SAAR Q/Q (Final)	Q1	2.0%	1.3%	0.70%	1.3%
06/30/2023	United States	Core PCE Deflator Y/Y	MAY	4.6%	4.7%	-0.1%	4.7%
07/03/2023	Japan	Markit/JMMA PMI Manufacturing SA (Final)	JUN	49.8	49.8	0.0	49.8
07/03/2023	China	Markit/Caixin PMI Manufacturing SA	JUN	50.5	50.2	0.28	50.9
07/03/2023	United States	ISM Manufacturing SA	JUN	46.0	47.2	-1.2	46.9

UK core inflation really jumped in May and June, putting pressure on the BoE

US labour market remained strong and the Fed's preferred inflation measure shows signs of stickiness

The BoE hiked Bank Rate by 50bps and peak rate expectations topped 6%

View Guidance



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