Quarterly Investment Report - Aberdeen City Council

For the Period 01 Jan 2022 to 31 Mar 2022

Aberdeen City Council

Report ID: 3231056.1 Published: 20 Apr 2022

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Accounting Summary (expressed in GBP)

As of 31 Mar 2022

	Market Value 01 Jan 2022		Contributions	Withdrawals	Change in Market Value	Market Value 31 Mar 2022	
Passive Equity Portfolio	1,123,769,665	68.35%	46,578	59,834	(32,885,673)	1,090,870,736	68.90%
UK ESG Screened Index Equity Sub-Fund	554,893,847	33.75%	0	0	(5,240,229)	549,653,618	34.72%
International (GBP Dynamic Currency Hedged) ESG Screened Index Equity Sub-Fund	568,875,818	34.60%	46,578	59,834	(27,645,444)	541,217,118	34.19%
Passive Fixed Income Portfolio	520,423,127	31.65%	0	23,406	(28,114,574)	492,285,147	31.10%
MPF UK Index Linked Gilts All Stocks Index Sub-Fund	520,423,127	31.65%	0	23,406	(28,114,574)	492,285,147	31.10%
Total	**1,644,192,792**	**100.00%**	**46,578**	**83,240**	**(61,000,247)**	**1,583,155,883**	**100.00%**

Performance Summary (expressed in GBP)

As of 31 Mar 2022

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								01 Nov 1999
Total Returns	1.99%	-2.93%	-2.93%	10.91%	9.21%	7.75%	9.67%	6.41%
FTSE All Share & World ex UK Custom Index	2.29%	-2.60%	-2.60%	11.53%	9.33%	7.82%	9.66%	6.37%
Difference	**-0.30%**	**-0.33%**	**-0.33%**	**-0.62%**	**-0.12%**	**-0.07%**	**0.01%**	**0.04%**
Total Returns (Net)	1.96%	-2.95%	-2.95%	10.84%	N/A	N/A	N/A	N/A
FTSE All Share & World ex UK Custom Index	2.29%	-2.60%	-2.60%	11.53%	N/A	N/A	N/A	N/A
Difference	**-0.33%**	**-0.35%**	**-0.35%**	**-0.69%**	**N/A**	**N/A**	**N/A**	**N/A**
UK ESG Screened Index Equity Sub-Fund								01 Nov 1999
Total Returns	0.92%	-0.94%	-0.94%	11.36%	4.19%	4.05%	6.89%	5.09%
FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX	0.82%	-1.18%	-1.18%	11.00%	4.04%	3.93%	6.76%	4.98%
Difference	**0.10%**	**0.24%**	**0.24%**	**0.36%**	**0.15%**	**0.12%**	**0.13%**	**0.11%**
Total Returns (Net)	0.92%	-0.95%	-0.95%	11.35%	N/A	N/A	N/A	N/A
FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX	0.82%	-1.18%	-1.18%	11.00%	N/A	N/A	N/A	N/A
Difference	**0.10%**	**0.23%**	**0.23%**	**0.35%**	**N/A**	**N/A**	**N/A**	**N/A**
International (GBP Dynamic Currency Hedged) ESG Screened Index Equity Sub-Fund								01 Feb 2011
Total Returns	3.09%	-4.86%	-4.86%	10.46%	14.00%	11.26%	12.33%	11.24%
FTSE CUSTOM WORLD EX UK EX CONT EX CW 50% HEDGED TO GBP NET TAX	3.86%	-4.01%	-4.01%	11.99%	14.66%	11.67%	12.53%	11.41%
Difference	**-0.77%**	**-0.85%**	**-0.85%**	**-1.53%**	**-0.66%**	**-0.41%**	**-0.20%**	**-0.17%**
Total Returns (Net)	3.03%	-4.91%	-4.91%	10.34%	N/A	N/A	N/A	N/A
FTSE CUSTOM WORLD EX UK EX CONT EX CW 50% HEDGED TO GBP NET TAX	3.86%	-4.01%	-4.01%	11.99%	N/A	N/A	N/A	N/A
Difference	**-0.83%**	**-0.90%**	**-0.90%**	**-1.65%**	**N/A**	**N/A**	**N/A**	**N/A**

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Fixed Income Portfolio								01 May 2015
Total Returns	-2.61%	-5.40%	-5.40%	5.09%	3.15%	3.13%	N/A	5.34%
Total Returns (Net)	-2.61%	-5.40%	-5.40%	5.08%	N/A	N/A	N/A	N/A
MPF UK Index Linked Gilts All Stocks Index Sub-Fund								01 May 2015
Total Returns	-2.61%	-5.40%	-5.40%	5.09%	3.15%	3.13%	N/A	5.34%
FTSE Actuaries UK Gilts British Government Index Linked All Stocks	-2.64%	-5.50%	-5.50%	5.11%	3.17%	3.10%	N/A	5.31%
Difference	**0.03%**	**0.10%**	**0.10%**	**-0.02%**	**-0.02%**	**0.03%**	**N/A**	**0.03%**
Total Returns (Net)	-2.61%	-5.40%	-5.40%	5.08%	N/A	N/A	N/A	N/A
FTSE Actuaries UK Gilts British Government Index Linked All Stocks	-2.64%	-5.50%	-5.50%	5.11%	N/A	N/A	N/A	N/A
Difference	**0.03%**	**0.10%**	**0.10%**	**-0.03%**	**N/A**	**N/A**	**N/A**	**N/A**

For information regarding performance data, including net performance data, please refer to the section entitled "Important Information" at the end of the report.

Risk Statistics (expressed in GBP)

As of 31 Mar 2022

Passive Equity Portfolio

Benchmark: FTSE All Share & World ex UK Custom Index

	Mandate
Standard Deviation (Annualized 36 Months)	15.22
Beta (Trailing 36 Months)	1.04
Tracking Error (Trailing 36 Months)	1.43
Information Ratio (Trailing 36 Months)	-0.08
Sharpe Ratio (Trailing 36 Months)	0.64

Returns based risk statistics are calculated using SSGA month end return values and risk free rates when required (such risk free rates may be applicable in place of LIBOR rates used prior to 31 December 2021). Risk statistics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

R-Factor™ Summary

As of 31 Mar 2022

UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	71.04	71.05	-0.01
ESG	71.09	71.10	-0.01
Corporate Governance	52.12	52.11	0.01

Source: SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

What is R-Factor?

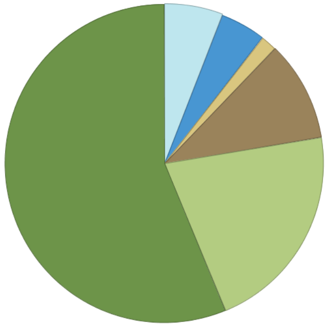
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	390	67.94%	93.79%
Total Number of Securities in Portfolio	574		

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

Fund R-Factor Profile	
Not Available	6.21%
Laggard	4.82%
Underperformer	1.70%
Average Performer	10.64%
Outperformer	22.28%
Leader	58.66%

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Shell PLC	7.11%	7.11%	0.00%	72.61
AstraZeneca PLC	6.92%	6.92%	0.00%	77.86
Diageo plc	3.92%	3.92%	0.00%	89.42
Unilever PLC	3.90%	3.90%	0.00%	87.05
GlaxoSmithKline plc	3.59%	3.60%	0.00%	87.15
British American Tobacco p....	3.22%	3.22%	0.00%	76.84
BP p.l.c.	3.18%	3.18%	0.00%	66.68
Rio Tinto plc	2.92%	2.92%	0.00%	74.52
Anglo American plc	2.13%	2.14%	0.00%	85.87
RELX PLC	1.95%	1.96%	0.00%	79.64

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

Top 5 R-Factor Ratings				
Diageo plc	3.92%	3.92%	0.00%	89.42
GlaxoSmithKline plc	3.59%	3.60%	0.00%	87.15
Unilever PLC	3.90%	3.90%	0.00%	87.05
Mondi plc	0.32%	0.32%	0.00%	86.29
Anglo American plc	2.13%	2.14%	0.00%	85.87

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

Bottom 5 R-Factor Ratings				
Aberforth Smaller Companie...	0.06%	0.05%	0.00%	22.66
Harworth Group PLC	0.01%	0.02%	0.00%	22.96
Palace Capital plc	0.01%	0.01%	0.00%	23.87
Chrysalis Investments Limit...	0.04%	0.05%	-0.01%	25.62
Goodwin PLC	0.01%	0.01%	0.00%	25.88

Source: Factset/SSGA. Holdings as of 31 Mar 2022, R-Factor data as of 28 Feb 2022.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

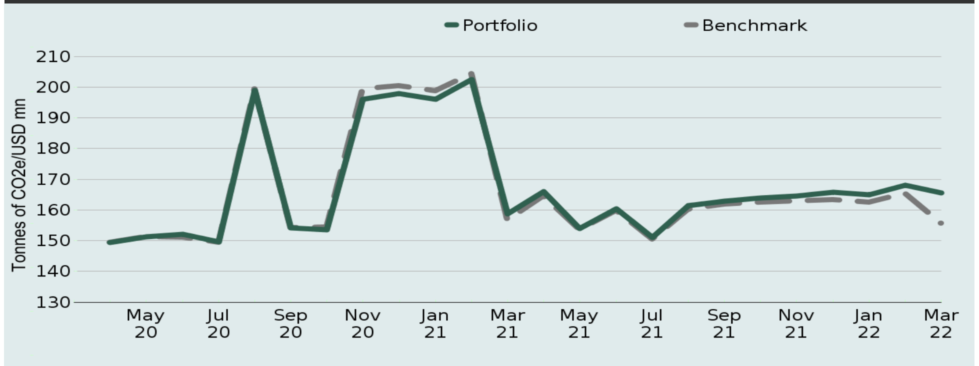
Climate Profile

As of 31 Mar 2022

UK ESG Screened Index Equity Sub-Fund

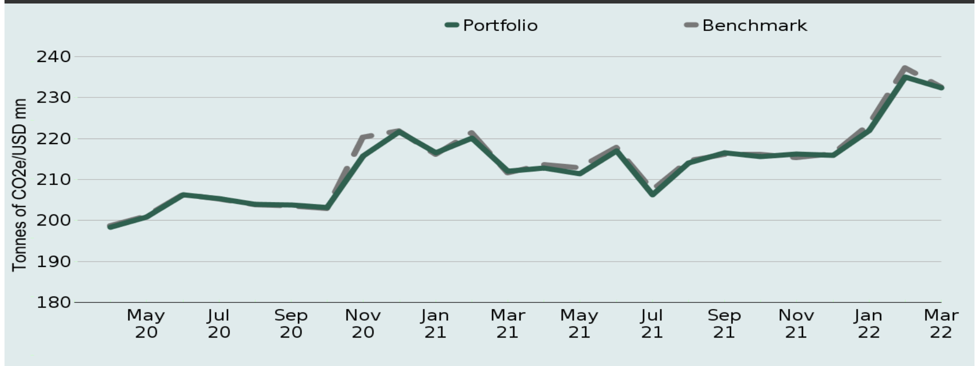
Benchmark: FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX

Carbon Intensity



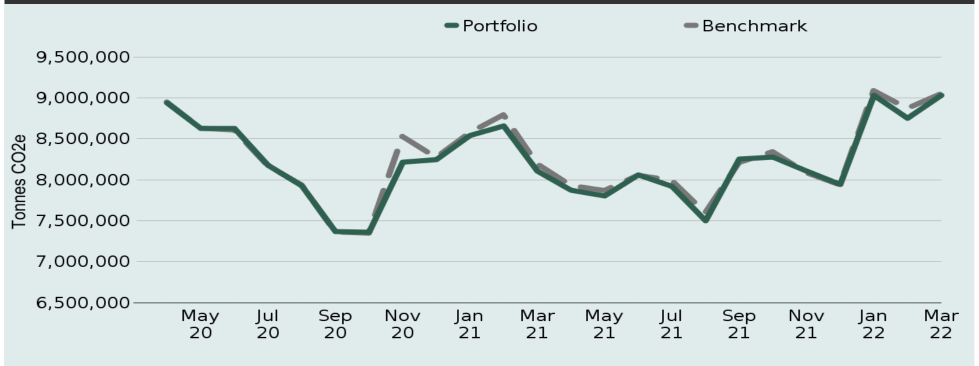
Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

Weighted Average Carbon Intensity



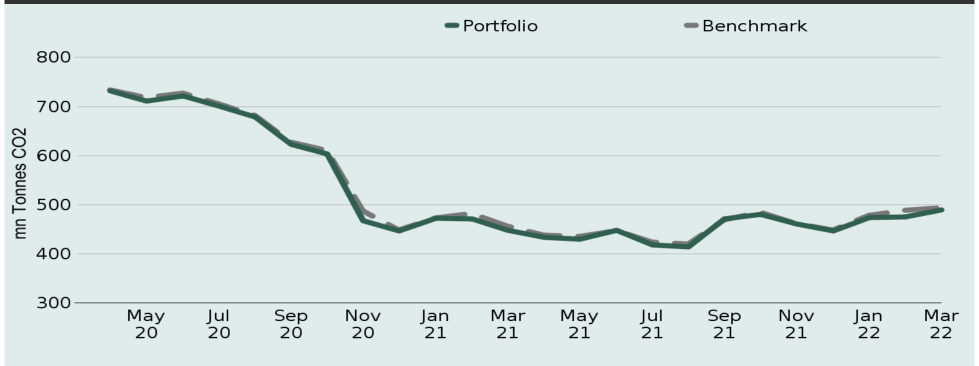
Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2022. Trucost data as of 28 Feb 2022.

Stewardship Profile

As of 31 Mar 2022

UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2021
Number of Meetings Voted	688
Number of Countries	8
Management Proposals	1,261
Votes for	92.78%
Votes Against	7.22%
Shareholder Proposals	0
With Management	0%
Against Management	0%

Source: SSGA as of 31 Dec 2021

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	12
1	55
2	195
3	171
4	80
5	42
6	14
7	2
8	0
9	0
10	0
10+	0
Not Available	3
Total	**574**

Source: Factset/SSGA. Holdings as of 31 Mar 2022, Factset data as of 28 Feb 2022.

Characteristics and Risk Statistics (expressed in GBP)

As of 31 Mar 2022

UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE ALL SHARE EX CONTROVERSIES EX CW INDEX

Characteristics	Fund	Benchmark
Annual Dividend Yield (Trailing 12 Months)	3.44	3.44
Estimated 3-5 Year EPS Growth	14.56	14.60
Total Number of Holdings	574	589
Price/Book Ratio	1.76	1.77
Price/Earnings Ratio (Forward 12 Months)	11.95	11.99
Return on Equity (5 Year Average)	16.94	16.95
Weighted Average Market Cap (M)	50,549.27	50,495.32
Median Market Cap (M)	951.11	902.70
Price/Earnings Ratio (Trailing 12 Months)	25.61	25.57
Price/Cash Flow (Weighted Harmonic Average)	8.18	8.17
Return on Equity (Trailing 12 Months)	19.35	19.33
Price/Sales (Weighted Average)	4.07	4.07

Portfolio characteristics are calculated using the month end market value of holdings. Averages reflect the market weight of securities in the portfolio. Market data, prices, and dividend estimates for characteristics calculations provided by FactSet Research Systems, Inc. All other portfolio data provided by SSGA. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Risk Statistics	Fund
Standard Deviation (Annualized 36 Months)	15.20
Beta (Trailing 36 Months)	1.00
Tracking Error (Trailing 36 Months)	0.10
Information Ratio (Trailing 36 Months)	1.57
Sharpe Ratio (Trailing 36 Months)	0.30

Returns based risk statistics are calculated using SSGA month end return values and risk free rates when required (such risk free rates may be applicable in place of LIBOR rates used prior to 31 December 2021). Risk statistics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Summary of Views

	Tactical Outlook	Strategic Outlook
CAD	▲	▬
NOK	▲	▲
USD	▬	▼
GBP	▬	▲
CHF	▬	▼
AUD	▬	▲
JPY	▼	▲
SEK	▼	▲
EUR	▼	▼
NZD	▼	▬

Source: SSGA

DSH Performance and Positioning

The British Pound (GBP) based DSH strategy applied to the MSCI World xUK index lost 1.22% in Q1 relative to a benchmark 50% passive hedge. , Pound struggled in February and March to finish the quarter 2% lower vs. the G10 average. GBP suffered from the outbreak of war in Ukraine due to higher energy prices, a weaker EU growth outlook, and a shift from the Bank of England to a more cautious monetary policy stance in response to those new uncertainties.

The Pound's returns vs. the US Dollar (USD) are particularly important for the GBP based DSH strategy as we currently recommend maximum hedges of 100% for the expensive USD and the USD tends to be the largest exposure in most global equity portfolios. For Q1 the USD hedge contributed -1.03% of excess return relative to the 50% passive benchmark hedge. Active returns to the overhedges on the

Australian and Canadian Dollars contributed another 0.08% loss as both enjoyed strong returns backed by rising commodity prices. The average total portfolio hedge ratio for a typical MSCI World xUK investor finished the quarter at 92.21% vs. a 50% neutral benchmark hedge ratio.

The strategic views described below (and in the summary table above) are based on our value model which is the core driver of the DSH model. The shorter term (tactical) views are not part of the DSH strategy but provide some insight into the short term expected performance and opportunities which we expect to explain nearby performance for strategic DSH investors, based on our full suite of models. DSH is a long run value-based strategy and GBP remains at historically cheap levels by our estimates. GBP is now 16.84% below fair value against USD suggesting substantial upside for the Pound over coming years. That provides a wonderful strategic opportunity for patient GBP based DSH investors to better control foreign currency downside risks and add value over a simple passive currency hedge.

Macro Environment

The year began with a downward move triggered by high inflation and a related shift in expectations for greater monetary policy tightening. The more defensive US Dollar and Japanese Yen rose while the higher beta Australian Dollar, New Zealand Dollar, and Swedish Krona fell. February was dominated by the Russian invasion of Ukraine which sent commodity prices and the currencies of commodity exporters higher at the expense of the Euro, British Pound, and Swedish Krona, all commodity importers geographically close to Ukraine. March saw a continuation of the strong commodity currency trend but also strong bias toward currencies with rising yields and a rebound in the Swedish Krona as Ukrainian war risk premium diminished. As an oil importer with low yields the Japanese Yen fell more 5.3% on the month.

Regarding the reduced Ukrainian war risk premium: The fighting in Ukraine remains intense and the humanitarian toll is unacceptably high. Investors did not react favorably to the war itself, but opposition from major EU countries such as Germany to an embargo on Russian energy reduced risk of an extreme negative shock to regional growth leading to gains in currencies that were most impacted by the conflict.

Over the past couple of months rising rates and commodity prices have overpowered rising economic uncertainty and increased equity volatility to elevate higher yielding commodity currencies. Over the last couple of weeks, the recovery in equity markets to or above pre-

Ukrainian war levels have helped further that move. We see near term risk to these themes. The commodity and yield driven rally appears a bit overdone short term given the rising risks of an economic slowdown and the higher likelihood that we are nearing peak monetary policy tightening expectations. These elevated risks suggest a more challenging short-term outlook for recent winners in currency markets as well as continued resilience of the US Dollar.

US Dollar (USD)

The US Dollar gained 0.77% against the G10 average in Q1 after a strong January partly offset by weakness in February and March. Rising yields and falling equity markets boosted USD in January. The invasion of Ukraine in February and resulting sell off in equities helped support USD vs. European currencies, but it lost on the month relative to the G10 average. The significant spike higher in commodity prices favored the currencies of commodity exporters which outperformed USD. This was somewhat unexpected given the usual positive performance of the defensive USD during a global shock. Despite continued increases in commodity prices that typical USD safe haven demand was more apparent in early March which began with a surge higher. The dollar was also boosted by increased expectations for FED monetary tightening in response to an impressive 678k increase in non-farm payrolls vs expectations of +423k and another rise in February CPI to 7.9% YoY. As expected, the FED delivered a substantial increase in the expected pace and magnitude of interest rate hikes at its March 16th meeting. However, USD fell back during the second half of the month to finish slightly lower because the FED’s hawkish shift was largely anticipated and USD lost some of its haven appeal as investors seemingly priced out some of the economic risks associated with the war.

USD is highly overvalued from a long run perspective, but it is difficult to see it falling back while US rates continue to rise rapidly and uncertainty from both the Ukraine war and supply chain disruptions from Covid remain elevated. Until the macro environment stabilizes the dollar is likely to continue to find support. We may yet see higher highs for USD against low yielding currencies exposed to elevated commodity import prices and other collateral risks from the war, EUR, JPY, SEK, and to some extent GBP stand out in this regard. The commodity currencies with strong domestic fundamentals and rising yields, NOK, AUD, and CAD, appear overbought in the short term given the heightened economic uncertainty and risks of further spikes in equity market volatility. This risks a near term pullback vs. USD, but they should hold up well vs. in the medium term.

Euro (EUR)

The Euro fell 1.6% relative to the G10 average in March. January was quiet given the consensus negative EUR view at the start of the year and equity market volatility which tends to be mildly supportive given the eurozone's large current account surplus. The invasion of Ukraine was a major regional shock which significantly threatened EU growth due to rising energy prices and risks that the war could spill beyond Ukraine's borders. EUR understandably sold off sharply in late February and early March. After the first week of March, it became clear that Germany and others opposed extending sanctions to prohibit Russian energy imports. This reduced the Ukrainian war risk premium allowing EUR to regain some ground. The ECB meeting on March 10th also helped support EUR. The meeting brought a slight hawkish surprise as they announced an accelerated reduction of bond purchases. However, despite the ECB tilting its focus toward its inflation fighting, support for EUR was temporary given the even more aggressive shift in other central bank's monetary policy tightening expectations. EUR fell back from its mid-March rally to finish lower.

We are broadly negative euro due to the risks from the war in the Ukraine which threaten the EU growth outlook, point to looser relative monetary policy for longer, and disincentivize capital flows into the region. Equity markets may have recovered to pre-war levels and commodity prices are well off their highs, but we still see substantial war risks going forward which are likely to keep downward pressure on the currency. Longer term, once the uncertainty over the Ukraine subsides (which could take a very long while in the worst-case scenario) we see room to have a more constructive discussion on EUR. The current conflict is a clear negative for now, but it also incentivizes greater EU integration, higher fiscal spending, and a more rapid transformation toward alternative energy sources. All these factors could ultimately promote a higher long run potential growth rate and support a sustained post-crisis recovery in EUR.

British Pound (GBP)

After a strong January in response to higher than expected inflation, strong employment data, and a hawkish shift in central bank policy expectations, Pound struggled in February and March to finish the quarter 2% lower vs. the G10 average. Like EUR, GBP suffered from the outbreak of war in Ukraine due to higher energy prices, a weaker EU growth outlook, and a shift from the Bank of England to a more cautious monetary policy stance in response to those new uncertainties. The BOE raised the policy rate at its meeting on March 17th, but only by 0.25% and delivered a more cautious tone as feared while the other central banks signaled an acceleration of monetary tightening. This helped to perpetuate the downtrend in GBP through quarter end. Investors also began to worry about the impacts of scheduled fiscal tightening over the next several months which may have a larger than desired impact given the worsening macro environment since the Russian invasion.

Our GBP view is mixed. Near term we are neutral. Economic risks from a potential slowing of EU growth, fiscal drag, and eroding consumer purchasing power from elevated inflation are negative for GBP. The BOE is increasing rates but is not expected to reach the levels of tightening expected in the US, Norway, Canada, Australia, or New Zealand. However, we are thinking it is difficult to chase GBP lower from here because it has already fallen to 18-month lows and growth/employment numbers continue to hold up well. Longer term we are more constructive. After geopolitical uncertainty resolves, we see greater room for sustained GBP appreciation powered by its cheap valuation vs. long run fair value, resilient fundamentals, rising policy rates, and our expectation for broad USD weakness.

Japanese Yen (JPY)

The Yen began the year strong as equity markets faltered, up 1.6% vs. the G10 average in January. That reversed in early February until the Russian invasion of Ukraine hit global risk sentiment helped JPY to recover most of its loss. JPY entered March up 0.77% for the year until the bottom fell out in leaving the Yen down 4.5% for Q1. The Yen’s outsized loss in March should not be surprising given its recent sensitivity to yields differentials and global risk sentiment. The combination of stronger equities and rising relative yields is the worst-case scenario for

JPY and that perfectly describes global market behavior in March. The BOJ held steady to its yield curve control (YCC) policy and shrugged off any negative impacts of the weaker Yen via its role in exacerbating the rise in import prices. Thus, Japan experienced the greatest divergence in relative monetary policy expectations among G10 currencies. Meanwhile, investor sentiment rebounded sending equity markets back to pre-war levels.

Our short-term models suggest more Yen losses to come. Japanese growth and core inflation are among the weakest in the G10 incentivizing the BOJ to stick with its ultra-loose monetary policy. In contrast we see potential for further upside in rates and monetary policy tightening outside of Japan. The potential for rising global risks from the war in Ukraine and recessionary risks from the rapid tightening of global monetary policy may slow the pace of JPY depreciation. But that appears unlikely to be significant to prevent losses outright. Long term JPY looks very cheap and is now near its 30-year low on a real effective exchange rate basis. Once we reach peak in global inflation and expectations of monetary tightening forces may well shift to push JPY back up toward its fair value. It does not look like we are close to that point.

Canadian Dollar (CAD)

The Canadian Dollar gained 1.9% relative to the G10 average in Q1. Stabilized by its ties to the strong USD and rising il prices CAD began the year with a 1% gain in January. CAD was down slightly in February after falling more than 1% by Feb 4th after a disappointing Canadian payrolls and hawkish central bank surprises outside of Canada. The impact of the Russia – Ukraine crisis pushed CAD higher retracing about half its loss by month end. Canada benefits from higher commodity/oil prices and is geographically removed from the Ukraine, it perfectly fit the profile of the currencies that rallied in response to the crisis. That post invasion strength carried over into March and was helped rising yields in response to strong employment and inflation data sending CAD up 1.4% for the month.

Our CAD view has improved over the month given the strong performance of commodity markets and the local economy. The strength and breadth of our signals across equity markets, commodities, economic growth, and interest rates provide a confident basis for additional CAD appreciation. However, that expected appreciation may come with higher volatility. We expect volatility to remain elevated given heightened commodity market volatility and growing uncertainty of the impacts from rapid monetary tightening. Longer term the CAD outlook is mixed. CAD is cheap and has potential for sustained long run appreciation vs. USD and CHF, but it is cheap vs. GBP, JPY, and the Scandinavian currencies.

Swiss Franc (CHF)

The Swiss Franc lost 0.5% vs. the G10 average in Q1 in relatively quiet trade. While volatility spiked higher in equity, commodity, and FX markets the Franc remained quiet down slightly more than 0.5% in January and March and up slightly more than 0.5% in February. Rising global yields in January and the combination of rising yields and equity markets in March pushed CHF lower. In February the shock to the broader EU economic outlook bolstered CHF as a relative safe haven in the region. Switzerland is not as dependent as the EU on Russian energy imports and tends to function as a haven in time of European crisis, both positive forces on the Franc post-invasion. But CHF were limited as it is also exposed to the broad negative growth impact to the European region and has some energy import price exposure.

We are negative CHF due to ultra-low yields, low inflation, prospects for accelerated SNB intervention to limit further CHF gains, and extreme overvaluation vs long run fair value. We see merit in the argument that the SNB should begin to tighten monetary policy at some point but think that the degree and timing of such tightening is likely to lag the rest of the G10, including the ECB. One caution to our negative view is that recent volatility in risky asset markets and ongoing Russia-Ukraine risk will likely limit near term CHF downside.

Norwegian Krone (NOK)

The krone gained 1.7% against the G10 average in Q1 and was up in each of the three months. NOK is geographically close to Ukraine and Russia and is usually sensitive to high equity market volatility, but the benefits of rising oil prices and expectations for further central bank rate hikes more than offset those risks to send the currency higher. These positive trading themes were validated by the Norges Bank decision to increase its expected policy rate path by 0.75% at it meeting on March 24th pushing NOK a peak gain of over 2% vs. the G10 on March 30th. However, ¾ of that gain was given up on the final trading day of the month following the announcement that the central bank would sell 2bn NOK a day in April in order to convert excess tax receipts from the windfall profits from the petroleum sector.

The near-term risks to NOK from elevated equity market volatility notwithstanding we are positive on the currency over both short- and long-term horizons. NOK is historically cheap on a real effective basis and against our estimates of long run fair value. Additionally, cyclical fundamentals also support NOK appreciation. Potential for resurgent Russia-Ukraine risk as well as longer term underlying supply/demand dynamics suggest continued oil market strength which will only bolster Norway's record trade surplus. Though the benefits of high oil profits will be partly diluted by the Norges bank's 2bn daily sales of NOK. In short, the Krone is a cheap currency with commodity support, rising yields, and solid growth fundamentals. We expect strong gains over time.

Swedish Krona (SEK)

The krona lost 2.2% against the G10 average during Q1. SEK struggled in January as Riksbank remains firmly on hold at a zero-interest rate while other G10 central banks ratcheted up plans for monetary tightening. The Krona's downtrend accelerated following the Russian invasion of Ukraine in February due to worries that economic weakness in the EU would impair Swedish growth expectations and risks that the military conflict could spill beyond the borders of Ukraine. The currency finally found some relief after sharp reversal in energy prices brought Brent crude prices from a high near $140/barrel on March 8th to a low near $97 on the 16th. During that period SEK soared nearly 5% from its low. A positive core CPI surprise, 1% MoM vs. 0.6% expected, released on the 14th also helped support the recovery in SEK. That recovery was further validated at the Riksbank meeting on the 16th at which the central bank governor acknowledged the need to tighten monetary policy faster than previously expected.

SEK remains among the cheapest G10 currencies but is likely to remain so near term due to the divergence between Riksbank policy and those of other central banks as well as acute uncertainty regarding the EU growth outlook and Russia Ukraine war. The comments from the central bank indicate that they may relent and begin to tighten policy sooner rather than later, but at this point they remain well behind most other central banks. We see room for a recovery once we gain even a modest amount of clarity on the war and get more tangible changes in monetary policy movement. For now, it may be best to express a positive SEK view vs. other low yielders such as EUR and CHF that also have exposure to Ukraine risks.

Australian Dollar (AUD)

The Australian Dollar led the G10 with a 4% gain vs. the G10 average. The year began on a less positive note as AUD fell 1.4% against the G10 in January despite strong commodity markets, higher than expected inflation, rising yields, and impressive employment growth. The negative AUD impulse from weak equity markets and the significant headwinds facing Chinese growth were too much for to overcome. A better than expected recovery from the omicron shock and surge in commodity prices after the invasion of Ukraine sent AUD steadily higher through February and March. Domestic data also impressed with unemployment tying its lowest level since 1978 at 4.1%, only reached once before in March 2008. We also saw rising business sentiment conditions and a strong positive surprise in Feb retail sales, +1.8% MoM vs. 0.9% expected. The Reserve Bank of Australia has been cautious in tightening policy but the commodity boom and overheating domestic labor markets promise a shift toward tighter policy.

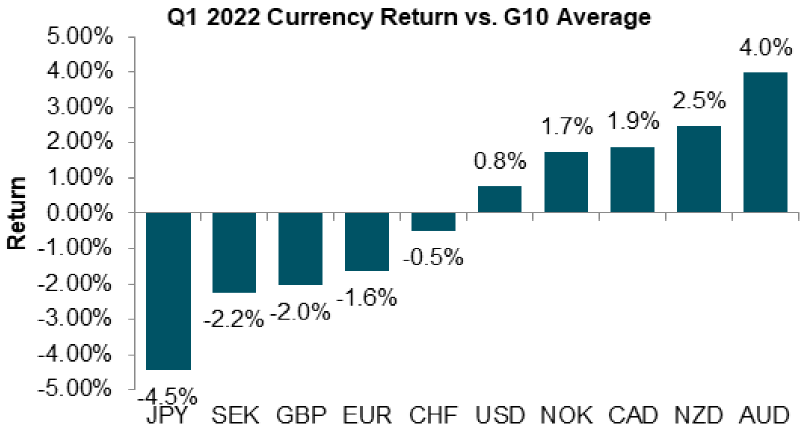
We remain broadly positive AUD on the strong fundamental backdrop described above. Over the very near term, we tilt more toward neutral because the February-March rally appears to have gone a little too far too fast. The potential for a further, albeit temporary, correction in commodity prices and near-term worries about Ukraine as well as Covid related lockdowns in China may weigh on AUD. Though Chinese pledges to increase economic stimulus will likely limit the medium-term negative impact of lockdowns. For now, the balance of risks points to a modest pull back in AUD before it can resume its rally.

New Zealand Dollar (NZD)

The New Zealand Dollar tracked AUD closely during the quarter to finish up 2.5% relative to the G10 average. Negative equity markets and concerns over risks to Chinese growth pushed NZD down 2.4% in January. Then, the currency recovered steadily in February and March on the back of strong commodity prices and high/rising yields. The domestic economy and labor markets look very strong but showed signs of softening as the quarter progressed. Credit card spending and consumer confidence is weakening while the current account deficit came in at its widest since 2009. Home sales and building permits also disappointed to the downside. Investors are beginning to worry that the RBNZ may slow the pace of monetary tightening after it led the G10 last year in raising rates.

Our tactical models have turned negative NZD due to the softness in economic activity as well as weak domestic equity markets. Yields remain relatively attractive but the risks that the central bank responds to the decelerating growth environment while other central banks are becoming more aggressive may also pressure NZD lower. Longer term our NZD view is more neutral. Relative to long run valuations NZD appears attractive against US Dollar and the Swiss Franc but is not as cheap as the other commodity currencies NOK, AUD, and CAD. This is likely to restrain upside in NZD against the broad G10 even over the long run.

Currency Performance



Source: Bloomberg/SSGA

Important Information

- R-Factor™ is an ESG scoring system that leverages commonly accepted materiality frameworks to generate a unique ESG score for listed companies. The score is powered by ESG data from four different providers in an effort to improve overall coverage and remove biases inherent in existing scoring methodologies. R-Factor™ is designed to put companies in the driver's seat to help create sustainable markets.

- R-Factor™ Scores are comparable across industries. The ESG and Corporate Governance (CorpGov) scores are designed to be based on issues that are material to a company's industry and regulatory region. A uniform grading scale allows for interpretation of the final company level score to allow for comparison across companies.

- Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.

- The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

- The R-Factor™ scoring process comprises two underlying components. The first component is based on the framework published by the Sustainability Accounting Standards Board ("SASB"), which is used for all ESG aspects of the score other than those relating to corporate governance issues. The SASB framework attempts to identify ESG risks that are financially material to the issuer-based on its industry classification. This component of the R-Factor™ score is determined using only those metrics from the ESG data providers that specifically address ESG risks identified by the SASB framework as being financially material to the issuer-based on its industry classification.

- The second component of the score, the CorpGov score, is generated using region-specific corporate governance codes developed by investors or regulators. The governance codes describe minimum corporate governance expectations of a particular region and typically address topics such as shareholder rights, board independence and executive compensation. This component of the R-Factor™ uses data provided by ISS Governance to assign a governance score to issuers according to these governance codes.

- Within each industry group, issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five ESG performance classes (Laggard - 10% of universe, Underperformer - 20% of universe, Average Performer - 40% of universe, Outperformer - 20% of universe or Leader - 10% of universe) by comparing the company's R-Factor™ score against a band. R-Factor™ scores are normally distributed using normalized ratings on a 0-100 rating scale.

- Discrepancy between the number of holdings in the R-Factor™ Summary versus the number of holdings in the regular reporting package may arise as the R-Factor™ Summary is counted based on number of issuers rather than number of holdings in the portfolio.

- For examples of public language regarding R-Factor see the ELR Registration Statement here: https://www.sec.gov/Archives/edgar/data/1107414/000119312519192334/d774617d497.html

- Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).

- Weighted Average Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO2e.The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company

- Total Reserves CO2 Emissions - Measured in Metric tons of CO2. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested. Unlike carbon intensity and carbon emissions, the S&P Trucost Total Reserves Emissions metric is a very specific indicator that is only applicable to a very selected number of companies in extractive and carbon-intensive industries. Those companies are assigned Total Reserves Emissions numerical results by Trucost, whereas the rest of the holdings in other industries do not have numerical scores and are instead displaying "null", blank values. In order to present a more comprehensive overview of a portfolio's overall weighted average fossil fuel reserves, State Street Global Advisors replaces blank results with "zeros". While that might slightly underestimate the final weighted average volume, it provides a more realistic result, given that most companies in global indices have no ownership of fossil fuel reserves.

- We are currently using FactSet's own "People" dataset to disclose the number of women on the board, for each company in the Fund's portfolio.

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